

4387. Also, petition of the Silk Association of America, New York City, favoring change in the present revenue laws; to the Committee on Ways and Means.

4388. Also, petition of Local Union No. 791, United Brotherhood of Carpenters and Joiners of America, of Brooklyn, N. Y., favoring a bonus for veterans of the late war; to the Committee on Ways and Means.

4389. Also, petition of the American Library Association, in annual conference assembled at Colorado Springs, Colo., urging the passage of S. 2457 and H. R. 6870; to the Committee on Education.

4390. Also, petition of J. H. Williams & Co., of Brooklyn, N. Y., favoring a change in the present method of handling foreign commerce and urging appropriation for same; to the Committee on Appropriations.

4391. By Mr. SINCLAIR: Petition of the Women's Federated Club of Grace City, N. Dak., protesting against the passage of legislation permitting the waters of our national parks to be used for commercial purposes; to the Committee on the Public Lands.

4392. By Mr. TAGUE: Petition of the Aberthaw Construction Co., of Boston, Mass., favoring 1-cent postage on drop letters; to the Committee on the Post Office and Post Roads.

4393. By Mr. TEMPLE: Petition of the Women's Club of Beaver, Pa., favoring the passage of the Smith-Towner bill and the Sheppard-Towner bill; to the Committee on Interstate and Foreign Commerce.

4394. Also, evidence in support of H. R. 14731, granting a pension to Sarah A. Vale; to the Committee on Invalid Pensions.

## SENATE.

SATURDAY, December 11, 1920.

The Chaplain, Rev. Forrest J. Prettyman, D. D., offered the following prayer:

Almighty God, we come to Thee with our daily tasks because we are engaged in a struggle for the supremacy of truth. We know that truth in its highest form emerges only as the result of human effort and human consecration. We turn to Thee praying Thee to give us the purpose of heart, to give us the spirit of endeavor and of consecration, that we may deliver the forces of our lives for the establishment of the truth here and everywhere. Save us from error. Save us from compromising with half truths. Give us the spirit of perfect consecration to the truth as it is in Jesus. We ask it in His name. Amen.

The reading clerk proceeded to read the Journal of yesterday's proceedings, when, on request of Mr. CURTIS and by unanimous consent, the further reading was dispensed with and the Journal was approved.

### INTERDEPARTMENTAL SOCIAL HYGIENE BOARD (H. DOC. NO. 892).

The VICE PRESIDENT laid before the Senate a communication from the Secretary of the Treasury, transmitting, pursuant to law, a report of the United States Interdepartmental Social Hygiene Board for the first fiscal year ended June 30, 1920, which was referred to the Committee on Public Health and National Quarantine.

### BONUS TO EMPLOYEES.

The VICE PRESIDENT laid before the Senate a communication from the United States Employees' Compensation Commission, transmitting, pursuant to law, a statement showing the average number of employees receiving the increased compensation of \$240 per annum for the four months of the fiscal year 1920, which was referred to the Committee on Appropriations.

### PUBLICATIONS ISSUED BY DEPARTMENT OF INTERIOR.

The VICE PRESIDENT laid before the Senate a communication from the Secretary of the Interior, transmitting, pursuant to law, a statement showing the various publications issued by the department during the fiscal year ended June 30, 1920, which was referred to the Committee on Printing.

### ANNUAL REPORT OF ATTORNEY GENERAL.

The VICE PRESIDENT laid before the Senate a communication from the Attorney General, transmitting, pursuant to law, the annual report of the Attorney General of the United States for the fiscal year ended June 30, 1920, which was referred to the Committee on the Judiciary.

## PETITIONS.

Mr. ELKINS presented a resolution in the nature of a petition adopted by the Slovak League of America, Assembly 141, at Clarksburg, W. Va., relating to the partition of the Czecho-Slovak Republic, which was referred to the Committee on Foreign Relations.

He also presented a resolution in the nature of a petition adopted by the Slovak League of America, Assembly No. 259, of Monongah, W. Va., relating to the partition of the Czecho-Slovak Republic, which was referred to the Committee on Foreign Relations.

He also presented a petition from the Chamber of Commerce of Casper, Wyo., praying for the enactment of legislation increasing the compensation of employees of the Postal Service, which was referred to the Committee on Post Offices and Post Roads.

He also presented a resolution in the nature of a petition of Local Union No. 2942, of the United Mine Workers of America, urging that further prosecution and imprisonment of violators of the espionage act be abandoned, which was referred to the Committee on the Judiciary.

Mr. McCUMBER presented a petition of the M. J. McElvain Post, No. 152, of the American Legion, Fullerton, N. Dak., praying for the enactment of legislation to pay ex-service men a bonus, which was referred to the Committee on Finance.

Mr. HARRIS presented a resolution in the nature of a petition passed by the cotton farmers of Cobb County, Ga., in mass meeting, praying for the enactment of legislation increasing the price of cotton, which was referred to the Committee on Agriculture and Forestry.

Mr. KENDRICK presented a resolution in the nature of a petition adopted by the annual convention of the American Federation of Labor and approved by the Hanna Local Union, No. 2335, United Mine Workers of America, Hanna, Wyo., praying for the enactment of legislation granting amnesty to political prisoners, which was referred to the Committee on the Judiciary.

He also presented a petition of the Natrona County Stock-growers' Association, at Casper, Wyo., praying for the enactment of legislation permitting honorably discharged soldiers and sailors be permitted to enter upon and take up 640 acres of the unoccupied public domain without residence or improvements, which was referred to the Committee on Public Lands.

### EMBARGO OR TARIFF ON WOOL.

Mr. WARREN. Mr. President, yesterday certain telegrams and letters in the way of petitions were presented regarding the sheep and wool industry of this country, among others the returns from the Chicago market on a very considerable shipment—some 2,000 or more head—of sheep which it seemed netted the producer only a fraction over 32 cents per head.

Wishing to ascertain something of the condition of the market elsewhere I wired yesterday to one of the large sheep-growing concerns in the West for their latest returns on mutton shipped to Kansas City, and I have in my hand a telegram in reply stating that the "net per head, ewes, was \$1.22½." That was the Kansas City market upon good sheep. The sheep-growing concern referred to, which has been many years in the business and which shipped these sheep, has been at an expense of from \$7 to \$12 a head in raising animals of that kind during the past few years.

While speaking of the market on mutton, I might as well mention the market, or rather lack of market, for wool. This same western concern received for its wool clip of 1919 a net return of two hundred and sixteen thousand and some odd dollars over and above all shipping and selling expenses. The clip from that same corporation is now lying in Boston, equally good, possibly better, and would not bring in the gross, from all the indications that I am enabled to secure, \$100,000, and from this will have to be deducted something over \$25,000 for transportation of the clip more than 2,000 miles, the commission percentages, storage, grading, and so forth. In other words, it would not bring at the present time more than about one-third of what it brought a year ago, even if it could be sold at all; and, of course, the expenses of raising the present year's clip have been higher than they ever were before.

I have a great many letters and telegrams respecting the extreme distress that prevails in the wool-growing industry. Of course there is some distress in the agricultural line as to all products, but these particular products—sheep and wool—seem to be the ones which suffer most and which will result, unless quick relief is afforded, in very many financial failures. The worst of it is that such failures are not confined altogether to the growers, but from documents that I have in hand, and

many more in my office, bankers in those communities that are undertaking to carry these farmers through, as they have done before and as is usual in all parts of the country, are in deep trouble, and so they are sending in many of these petitions. I do not propose to burden the Record with any particular number, but I am going to read one or two expressions contained in some of them. I have one letter from an individual grower, a very conservative man, and from that I quote:

Am writing about the necessity for an embargo or temporary relief on wool at the present session of Congress. It seems to me that the Government owes us something after fixing wool prices at less than the market price during the war—

And that is a fact—

and it seems to me that it would be to the advantage of the country at large to save this industry from absolute ruin. After having gone through the period of high wages and operating expenses, increased tremendously by the drought and hard winter, we have no market for wool on account of the foreign wool dumped in here with no tariff and the advantage to the importers of the present exchange rates, giving them a premium of some 30 per cent.

Here is a letter from a banker situated in the very heart of the wool-growing section—

Mr. SIMMONS. Mr. President, I wish to ask the Senator a question, if he will yield to me for that purpose.

Mr. WARREN. Certainly.

Mr. SIMMONS. The Senator said that foreign wool has been dumped in here because we had no tariff. I will ask the Senator if he thinks that is the only reason why it has been dumped here?

Mr. WARREN. No.

Mr. SIMMONS. Is it not a fact that the chief reason why we have had the heavy importations of wool lies in the fact that the American market was able to take the surplus wool from abroad, while many other countries which had heretofore been the chief market for such wools were not in a condition to take them in the usual quantity?

Mr. WARREN. The Senator is speaking in the right direction, but does not cover the entire ground. The wool was brought here very largely by the Government of the United States, which feared that the wool produced in this country, even though it were all absorbed, as it was absorbed at their own figures, would not carry them through. So they imported enough to keep the manufacturers busy in manufacturing the cloth needed by the Government, and were forehanded enough so that at the time the armistice came they had on hand some 600,000,000 pounds of wool, which was made up quite largely of wool brought from foreign countries, and which has very much helped to glut the market, since the War Department has engaged in wool selling almost continuously from that time.

As the Senator from North Carolina has said, this was a market where there was money for wool; there was an equally good market with the British Government. The British Government agreed to take the wool of all of the growers in its Provinces at an agreed price during the war, and until some years thereafter; in other words, until June 30, 1920.

Owing to high freights across the water and the good market here, the wool market was sustained until May last, when, in fact, it dropped nearly out of sight in value in almost the twinkling of an eye. Inside of 10 days wool that had started in transit on its way to reach a market about equal to that of last year found no market, and now lies dead in the eastern markets, while the cost of handling, owing to high cost of labor and advanced freight rates, and so forth, is greater than ever before.

I will read a quotation from the letter written by a banker. He says:

I have nothing to add to what you may know better than I do. The only purpose of this letter is, if possible, to add weight to the tide of current opinion in this country which would urge that immediate legislation be enacted to save the sheepmen and others from going broke. Many of them are badly crippled, and some are sure to fall. There has been something very far wrong in any system of government that immediately following a war setting up an almost exclusive barrier against foreign importations would permit not only the free importation of foreign wool but permit those wools to come in with a bonus to the foreign importers of an amount equal to the difference in exchange, which is now about 30 per cent, as I understand it.

The writer further says:

I do not think we could be accused of having been free and easy in the matter of loaning money last year, as at that time there was the usual 50 per cent margin. What I have said of the sheepmen applies more or less to the other branches of the live stock and farming industry. I do not know what is going to become of us unless there are early remedies applied.

Mr. President, I have only a word to add, and that is that the sheepmen, with all other producers, had expected lower prices for their products; they have, so far as they could, provided for a recession of prices; but there is nothing in history equal to the severe and crushing giving away of the wool mar-

ket. As I have indicated, and as was brought out here yesterday, the same condition largely applies to the live-stock market. So to-day the grower of sheep, not being able to sell wool at all has to ship the live stock, has to go out of business, and put the sheep upon the market although they net him not much more than the freight, and his debt to the banker still confronts him.

Is that industry worth saving to the country? If it is worth saving something in the way of an embargo or of a measure equally effective and immediate, no matter how disagreeable or repugnant it may be to our ideas of ethics and the ordinary rule of legislation, must be enacted. It is an extremity in which this industry is appealing for immediate help, and the emergency is so acute as to be actually startling.

Of course we had very low prices and severe stress in this industry in 1893 and 1894, after we had had a season of free wool, but the condition which existed then came on more gradually and was nothing in comparison to the present distress. I want to indorse what the Senator from Utah [Mr. Smoot] said yesterday, that this industry will absolutely perish unless some relief is soon afforded it.

An embargo for a few months against all receipts of wool from foreign countries could, it seems to me, hurt no one. Those countries have large stocks of wool for home consumption. So have we. And while prices might not be greatly increased wool could be sold for home consumption and the congestion would thus be relieved.

I send to the desk for reference to the Committee on Finance certain letters, many of them being from bankers, which I have received.

The VICE PRESIDENT. The communications will be received and referred.

Mr. WARREN presented a letter in the nature of a petition from Mr. G. C. Muirhead, president of the Stockgrowers' State Bank, of Worland, Wyo., favoring an embargo or restoration of the tariff on wool, which was referred to the Committee on Finance.

He also presented a telegram and letter in the nature of a petition from Hon. John Clay, of Clay, Robinson & Co., of Chicago, Ill., favoring an embargo or restoration of the tariff on wool, which was referred to the Committee on Finance.

He also presented a letter in the nature of a petition from Mr. E. P. Heald, Cody, Wyo., favoring an embargo or restoration of the tariff on wool, which was referred to the Committee on Finance.

He also presented a letter in the nature of a petition from James T. Elliott, editor of the Sheep and Goat Raisers' Magazine, San Angelo, Tex., favoring an embargo or restoration of the tariff on wool, which was referred to the Committee on Finance.

He also presented a letter in the nature of a petition from Hon. A. H. Marble, president of the Stock Growers' National Bank, of Cheyenne, Wyo., favoring an embargo or restoration of the tariff on wool, which was referred to the Committee on Finance.

He also presented a letter in the nature of a petition from Mr. Roscoe M. Wood, member of the executive committee of the National Wool Growers' Association, of Douglas, Wyo., favoring an embargo or restoration of the duty on wool, which was referred to the Committee on Finance.

He also presented a letter in the nature of a petition from Hon. Ira B. Casteel, vice president of the Stock Yards National Bank, Denver, Colo., favoring an embargo or restoration of the tariff on wool, which was referred to the Committee on Finance.

#### DAUGHTERS OF THE AMERICAN REVOLUTION.

Mr. MOSES, from the Committee on Printing, reported the following resolution (S. Res. 397), which was considered by unanimous consent and agreed to:

*Resolved*, That the report of the National Society of the Daughters of the American Revolution for the year ended March 1, 1919, transmitted to Congress by the Secretary of the Smithsonian Institution, pursuant to law, be printed as a Senate document, with illustrations.

#### JOHN SULLIVAN—CHANGE OF REFERENCE.

Mr. MOSES. I move that the Committee on Military Affairs be discharged from the further consideration of the bill (S. 4513) to correct the military record of John Sullivan and that it be referred to the Committee on Naval Affairs. The reference was made by error.

The motion was agreed to.

#### BILLS INTRODUCED.

Bills were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:



By Mr. HALE:

A bill (S. 4601) for the relief of Lewis Myshrahl; to the Committee on Military Affairs.

By Mr. ELKINS:

A bill (S. 4602) providing for the appointment of an additional district judge for the southern judicial district of the State of West Virginia; to the Committee on the Judiciary.

By Mr. UNDERWOOD:

A bill (S. 4603) extending the time for the commencement and completion of the bridge or bridges authorized by an act entitled "An act to authorize the Gulf Ports Terminal Railway Co., a corporation existing under the laws of the State of Florida, to construct a bridge over and across the headwaters of Mobile Bay and such navigable channels as are between the east side of the bay and Blakely Island, in Baldwin and Mobile Counties, Ala.," approved October 5, 1917; to the Committee on Commerce.

By Mr. WATSON:

A bill (S. 4604) granting a pension to Lewis V. Boyle (with accompanying papers); and

A bill (S. 4605) granting a pension to Gilbert Adams; to the Committee on Pensions.

By Mr. JOHNSON of California:

A bill (S. 4606) to amend section 24 and section 256 of the Judicial Code; to the Committee on the Judiciary; and

A bill (S. 4607) to provide compensation for maritime workers of the United States suffering injuries while in the service of merchant vessels of the United States, their owners, or charterers, and for the dependents of such maritime workers in case of death, and for other purposes; to the Committee on Commerce.

By Mr. KENYON:

A bill (S. 4608) to amend section 1 of the act entitled "An act making appropriations for the construction, repair, and preservation of certain public works on rivers and harbors, and for other purposes," approved July 27, 1916, and section 1 of the act entitled "An act to provide for the control of the floods of the Mississippi River and of the Sacramento River, Calif., and for other purposes," approved March 1, 1917; to the Committee on Commerce.

By Mr. JONES of Washington:

A bill (S. 4609) to regulate marine insurance in the District of Columbia; to the Committee on the District of Columbia.

By Mr. RANSDELL:

A bill (S. 4611) to establish and maintain a forest experiment station in the Southern States; to the Committee on Agriculture and Forestry; and

A bill (S. 4612) for the relief of Harold Kernan; to the Committee on Claims.

By Mr. CAPPER:

A bill (S. 4613) to establish in the Interior Department a bureau of veteran reestablishment, and for other purposes; to the Committee on Finance.

#### REGULATION OF TRAFFIC IN THE DISTRICT OF COLUMBIA.

Mr. DILLINGHAM. Mr. President, Mr. William P. Eno, of this city, has for many years given especial attention to traffic regulation in large cities and has been instrumental in bringing about many reforms. He has recently prepared a bill relating to the same subject in the District of Columbia. So, at his request, I introduce a bill, which I ask to have referred to the Committee on the District of Columbia.

The bill (S. 4610) to provide standard general highway traffic regulations and adequate special highway traffic regulations for the District of Columbia was read twice by its title and referred to the Committee on the District of Columbia.

#### NET EARNINGS OF FEDERAL RESERVE BANKS.

Mr. STERLING. I introduce a joint resolution, and, because of the importance of the subject and its immediate interest, I ask unanimous consent that it may be read.

There being no objection, the joint resolution (S. J. Res. 222), relating to the use of the net earnings derived by the United States from the Federal reserve banks in the years 1921 and 1922, being the earnings accrued and accruing during the years 1920 and 1921, was read the first time by its title, the second time at length, and referred to the Committee on Banking and Currency, as follows:

Joint resolution (S. J. Res. 222) relating to the use of net earnings derived by the United States from the Federal reserve banks in the years 1921 and 1922, being the earnings accrued and accruing during the years 1920 and 1921.

Whereas it is anticipated that the net earnings derived by the United States from the Federal reserve banks during the years 1921 and 1922, being the earnings accrued and accruing during the years 1920 and 1921, will exceed \$100,000,000;

Whereas such earnings are derived from interest charges collected from the borrowing public; and

Whereas it is deemed to be in the public interest at this time that such earnings should not be withdrawn from the use of productive industry; and

Whereas there is a scarcity of credit for the orderly marketing of farm products and the production of live stock: Therefore be it

*Resolved, etc.,* That the Secretary of the Treasury, in his discretion, may use not to exceed in the aggregate \$100,000,000 of the net earnings which shall be derived by the United States from the Federal reserve banks during the years 1921 and 1922, being the earnings accrued and accruing during the years 1920 and 1921, as hereinafter provided:

Immediately upon the receipt by the Treasury in 1921 of such net earnings for the year 1920, and the receipt in 1922 of such net earnings for the year 1921, the Secretary of the Treasury shall advise the Federal Farm Loan Board of the amount available for the purposes hereinafter designated, and the Federal Farm Loan Board shall thereupon immediately allot the same to the several Federal land bank districts in proportion to the needs of such districts for the purposes described.

The sums so allotted to the several Federal land bank districts shall, upon the request of the Federal land bank of any district, approved by the Federal Farm Loan Board, be placed with such Federal land bank as financial agent of the Government of the United States, to be used for the purpose of purchasing paper based on staple agricultural products or live stock.

Any Federal land bank, as such financial agent, may purchase, in the name of the Government of the United States, with the funds so deposited from banks within its district, whether members of the Federal Reserve System or not, paper based on staple agricultural products in the hands of the producer or on live stock, according to regulations to be prescribed by the Federal Farm Loan Board.

No loan purchased under this act and based on agricultural products shall be for a period longer than nine months, and no loan based on live stock shall be for a period longer than two years.

No Federal land bank shall purchase from any bank, under the provisions of this act, paper in an amount greater than three times the capital and surplus of the selling bank, nor shall any paper be purchased from any bank located in a reserve city.

All loans purchased under the provisions of this act shall be indorsed and guaranteed unconditionally by the bank selling the same to the Federal land bank.

Loans purchased under the provisions of this act shall bear interest at the rate of 6 per cent per annum, payable in advance, if the loan be for a period of six months or less; if for a longer period than six months, payable semiannually in advance, but any borrower, under the provisions of this act, may be charged for the expenses incident to his loan a sum to be approved by the Federal Farm Loan Board, not exceeding an amount equal to 2 per cent per annum for the period of the loan, of which 1½ per cent may be retained by the indorsing bank and one-half of 1 per cent by the Federal land bank making the loan.

No loan shall be purchased by any Federal land bank, under the provisions of this act, which exceeds 85 per cent of the cash value of the staple agricultural products or live stock by which such loan is secured.

Any paper purchased by any Federal land bank, as herein authorized, may be by such bank renewed or extended wholly or in part and the proceeds of any paper collected may be by the proper Federal land bank reinvested as herein authorized: *Provided*, No paper shall be so renewed, nor shall any loan be so made as to create a maturity later than January 1, 1924.

The several Federal land banks shall so administer the trust as financial agents of the Government as to complete their transactions hereunder as near as may be by January 1, 1924, and shall forthwith thereafter account for and pay over to the Treasury all moneys collected, both principal and interest.

Such money when paid into the Treasury shall be subject to the uses prescribed by the second paragraph of section 7 of the act approved December 23, 1913, known as the Federal reserve act, for the net earnings derived by the United States from Federal reserve banks.

#### EXCLUSION OF ALIENS.

Mr. HARRIS submitted an amendment proposing to prohibit for five years the immigration of aliens to the United States, intended to be proposed by him to the bill (H. R. 14461) to provide for the protection of the citizens of the United States by the temporary suspension of immigration, and for other purposes, which was referred to the Committee on Immigration and ordered to be printed.

#### INDIAN CLAIMS.

Mr. HARRISON submitted an amendment proposing to refer to the Court of Claims the cases of the Choctaw, Chickasaw, Cherokee, Creek, and Seminole Indians, arising under or growing out of any treaty stipulation or agreement with the United States, intended to be proposed by him to the bill (H. R. 10105) conferring jurisdiction upon the Court of Claims to hear, examine, consider, and adjudicate claims which the Choctaw, Chickasaw, Cherokee, Creek, and Seminole Indians may have against the United States, and for other purposes, which was referred to the Committee on Indian Affairs and ordered to be printed.

#### MINING CLAIMS.

Mr. WARREN submitted an amendment proposing to extend the time for suspending the law during the year 1921, which requires that \$100 worth of labor be performed on all mining claims of the United States, intended to be proposed by him to the joint resolution (S. J. Res. 216) to suspend the requirements of annual assessment work on mining claims during the year 1920, which was referred to the Committee on Mines and Mining and ordered to be printed.

#### THE WOOL INDUSTRY.

Mr. WALSH of Montana. Mr. President, some attention was given on yesterday morning to the question of the appropriate committee for the consideration of the so-called embargo bill. Since then my attention has been called to the bill introduced

by the Senator from Utah [Mr. Smoot] which is a bill (S. 4537) to provide revenue and to maintain the wool-producing and manufacturing industries of the United States in a condition of preparedness for national requirements.

It was the opinion of the Senator from Utah that the bill should appropriately go to the Committee on Finance, and I have not been understood as offering any objection to that reference, but the Senator will observe that the title of the bill characterizes it as a bill to raise revenue, and it purports to amend the revenue act. Now, if it is such, of course, this body has no jurisdiction over the subject at all.

Mr. SMOOT. Mr. President, I wish to say to the Senator from Montana that the reason why I introduced the bill was because it might be possible to agree with Members of the House that whichever body could act first should do so. It does change and will necessarily change the revenue law because of the fact that manufacturers of woolen goods are involved, upon which there is a duty, and it repeals certain sections of the law and necessarily will have to do so.

I am not going to push its consideration in the Senate, if after conference to-day with the chairman of the Committee on Ways and Means of the House he desires that the House shall act first. I shall not ask for any action upon it here in that event, but if after that conference he has no objection to it or there is no objection upon the part of Members of the House, to hasten the matter, I shall ask that it be considered by this body, although the bill does not raise revenue, but prevents the collection of it.

Mr. WALSH of Montana. That is not really the matter to which I have desired to direct the attention of the Senator. Of course, the Senator must expect that in this body there will be some opposition to the measure, and anyone opposing the measure in this body may immediately arise and assert, and he must be sustained, that this body has no jurisdiction whatever over the subject, and we can not get consideration for the measure at all in this body. So I suggest, in the interest of expedition, that the Senator consider whether the bill is really a measure for raising revenue.

Mr. SMOOT. It does not raise revenue. The bill is to amend the act that is recited in the title of the bill.

Mr. WALSH of Montana. If that is the case, then there is no use in this body doing anything at all about it. Indeed, we can not do anything about it until the House of Representatives acts. My own opinion about the matter is that the Senator is in error on that point. The Constitution provides that bills for raising revenue shall originate in the House of Representatives. We do not propose to raise any revenue; we propose to prevent revenue from being raised; and therefore my own opinion about the matter is that the bill is not a bill of which the House of Representatives has original and exclusive jurisdiction. But I suggest to the Senator that the form in which the bill is prepared lends much strength to the argument that it is such, and accordingly that this body has no jurisdiction.

Mr. SMOOT. That question will be discussed if it is decided to bring the bill before the Senate for action before action is taken in the House. I rather agree, and have stated so in the Committee on Finance, that the position just taken by the Senator from Montana is the correct one, and it will be discussed, and I shall take the same position as the Senator if the question is raised. I do not want to have any feeling between the Senate and the House, and therefore I have asked for the conference to which I have referred. That conference will take place to-day. The Senator, I think, has the same idea that I have in relation to the necessity for the legislation.

Mr. WALSH of Montana. I suggest to the Senator that if he introduce a bill embracing just the last two lines of his bill, namely, "the importation of wool, manufactures of wool, wool wastes, and wool on the pelt are hereby prohibited," that is all he needs. If he will refer that bill to some committee other than the Committee on Finance this body might then, it seems to me, appropriately proceed to consider it. If we find, then, any differences arise between the House and the Senate those could be very readily adjusted and the Senator could go on with the consideration of the matter in this body. But it occurs to me that we will not be permitted to take a step under the bill introduced by the Senator as it stands now.

Mr. SMOOT. I think otherwise. I think that if we get this legislation enacted into law we must not antagonize the House, and therefore I am going to take every precaution that I can to see that there is no difference between the two bodies.

Mr. WALSH of Montana. That is my purpose, and I suggest to the Senator that he is precipitating it by this course.

Mr. SMOOT. I think the suggestion of the Senator would meet the same objection that the bill I have introduced has met. The bill which I have introduced simply covers the situation and explains in detail just what the legislation is.

#### REDUCTION OF ARMAMENTS.

Mr. WALSH of Montana. Mr. President, it will be recalled that under article 8 of the covenant of the League of Nations the council is charged with the duty of preparing plans for the reduction of armaments, to be submitted by it to the various Governments for their consideration and action. The council has entrusted to a commission created by it the work of drafting such a plan, to be submitted to it, and when approved by it—if it shall be approved—to the various governments.

The commission, proceeding with its work, immediately encountered the embarrassing fact that the United States was not in any manner represented. Obviously no plan for a reduction of armaments could receive the approval of the other great powers of the earth unless the United States joined in the plan, a consummation to be wished but not likely to be reached unless it should participate in the formulation of the plan; and, the situation being presented to the council, an invitation was sent by it to the Government of the United States to send a representative to sit with the commission thus created by the council when it should consider such, such representative to act in a consultative capacity.

To this invitation the President of the United States sent a letter declining, in the course of which he said:

The President of the United States is deeply interested in this question and is most desirous of cooperating to this end, but as the Government of the United States is not a member of the league he does not feel justified in appointing a commission to take even a de facto participation in the deliberations of the council or of the commission acting on behalf of the council in the execution of provisions in the covenant of the League of Nations.

That appears to me to be an utterly inadequate reason for not sending a representative from this country to engage in this great work. To me it appears to be a matter of entire indifference in connection with the effort thus inaugurated, whether we are or are not members of the League of Nations. The great powers other than the united nations are engaged in what appears to be a bona fide effort to bring about a reduction of armaments. I can see no reason why we should not participate in that effort.

I feel not only that the position taken is utterly inadequate to justify a determination not to participate, but that it will be regarded by the world as so inadequate and indefensible that the conclusion will naturally be indulged that we declined for some reason other than that which is thus stated, and it is an easy step from that to the conclusion that we do not desire to participate in the movement because we are opposed to any plan for a general reduction of armaments, and from that to the conclusion that we are opposed to any reduction in armaments because we have imperialistic designs, calculated to excite suspicion in the minds of the people of many of the nations of the earth. That, to my mind, would be an utterly unjust and unfounded suspicion. I knew the people of the United States harbor no such purposes, and I am entirely convinced that they have never receded from the position which they have long maintained, that there ought to be a general plan arrived at by all the great powers for a reduction of armaments.

Mr. President, we are advised that the estimates for the Army and Navy of the United States for the current year mount to the almost inconceivable sum of a billion and a half dollars. If there were no other reason, the condition of the world at the present time would give force to the suggestion that a reduction ought to be accomplished in order to relieve the labor of the world from the ever-mounting cost of armaments.

The position of the United States upon this subject has often been expressed. I refer to the last formal expression, found in the Naval appropriation act of 1916, from which I read as follows:

It is hereby declared to be the policy of the United States to adjust and settle its international disputes through mediation or arbitration, to the end that war may be honorably avoided. It looks with apprehension and disfavor upon a general increase of armament throughout the world, but it realizes that no single nation can disarm, and that without a common agreement upon the subject every considerable power must maintain a relative standing in military strength.

In view of the premises, the President is authorized and requested to invite, at an appropriate time, not later than the close of the war in Europe, all the great Governments of the world to send representatives to a conference which shall be charged with the duty of formulating a plan for a court of arbitration or other tribunal, to which disputed questions between nations shall be referred for adjudication and peaceful settlement, and to consider the question of disarmament and submit their recommendation to their respective Governments for approval. The President is hereby authorized to appoint nine citizens of the United States, who, in his judgment, shall be qualified for the mission by eminence in the law and by devotion to the cause of peace, to be representatives of the United States in such a conference. The President shall fix the compensation of said representatives, and such secretaries and other employees as may be needed. Two hundred thousand dollars, or so much thereof as may be necessary, is hereby appropriated and set aside and placed at the disposal of the President to carry into effect the provisions of this paragraph.



Mr. President, I can very readily understand how, in view of events that have transpired within the past year and a half, the President of the United States should have made such a reply. I dare say that if he had sent a representative in accordance with the courteous invitation extended by the council of the league, it would be charged upon many hands that it was another effort upon his part to force us into the League of Nations and that he was, despite what has transpired, actually participating in its deliberations. I undertake to say that if the great powers of the earth had, without reference to the council, extended an invitation to the United States to send a representative to meet representatives sent by them for the purpose of considering a reduction in armaments, no one would be heard to urge that such an invitation should be declined. What is the difference if they choose to send the invitation through the council of the League of Nations, they to be represented by their delegates to the council rather than by representatives selected for that specific work?

But, Mr. President, the Senate of the United States, as I conceive it, has a duty in this matter as well as the President of the United States. This body is a necessary and integral part of the treaty-making power. We can not fail, as it seems to me, to take cognizance of this invitation extended to the Government of the United States to participate in this effort to accomplish a reduction in armaments.

Accordingly, I offer the resolution which I send to the desk, and ask that it be read.

The VICE PRESIDENT. The resolution will be read.

The resolution (S. Res. 398) was read, as follows:

Whereas pursuant to article 8 of the covenant of the League of Nations, wherein it is recited that "the members of the league recognize that the maintenance of peace requires the reduction of national armaments to the lowest point consistent with national safety and the enforcement by common action of international obligations," the council of the league has appointed a commission with authority to formulate plans for such reduction, to be, when approved by the said council, submitted for the consideration and action of the several Governments; and

Whereas it is reported that the said commission labors under some embarrassment in its work by reason of the fact that the United States is not represented either on the said commission or the said council; and

Whereas the people of the United States have long hoped for some international agreement for the reduction of armaments, not only to preserve peace but that the labor of the world may not be unnecessarily burdened with the ever-mounting cost of maintaining armed forces in accordance with the policy of the powers in the past; and

Whereas the said council of the League of Nations has addressed to the President of the United States a communication inviting it to designate a representative to sit with such commission in a consultative capacity during the study by the commission of the question of the reduction of armaments: Now, therefore, be it

Resolved, That the President be, and he hereby is, requested to express to the council of the League of Nations the earnest desire of the Government of the United States to cooperate with the commission so by the said council appointed and with the said council in the formulation of plans looking to a general reduction of armaments, for submission to the several Governments for their consideration and action, and that he be, and he hereby is, further requested promptly to designate, with due authority, such representative.

Mr. WALSH of Montana. Mr. President, just one word touching the second request of the resolution, namely, that a representative be designated by the President to participate in the discussions as requested. I should like very much, indeed, if favorable action is taken on the resolution, to have it so arranged that the nomination by the President should be sent to the Senate for confirmation. I am not sure that that can be accomplished, although I daresay it can, and I want to suggest the means by which it can be done.

Mr. LODGE. Mr. President, this seems to be a resolution of very great importance, and I think it ought to go to the Committee on Foreign Relations.

Mr. WALSH of Montana. It was my purpose, of course, to ask that it go there.

Mr. LODGE. I beg pardon; I did not know that that was the purpose of the Senator.

Mr. WALSH of Montana. The Constitution gives to the President of the United States power to make treaties by and with the advice and consent of the Senate. Our practice is that the initial negotiations are with him. He may conduct them in person or he may designate some representative to act for him. The discussions to be entered upon would be in the nature of negotiations for a treaty, and I think it is understood by the world now that no agreement of the kind proposed can be entered into by the United States only upon the advice and consent of the Senate, two-thirds of its members concurring. It has been the practice for the President to designate, without the concurrence of the Senate, negotiators of treaties. That practice was followed in the negotiation of the treaty of Ghent. It was challenged at the time, but the validity of the exercise of such power by the President I believe has never since been seriously questioned.

Notwithstanding that, Mr. President, in the particular circumstances which confront us, I should like to have the matter considered carefully by both Houses of Congress, and to see taken the judgment of both on the proposition as to whether we ought not to meet in the most hospitable spirit any proffer coming from any responsible quarter of an opportunity to join in arranging a plan for the reduction of armaments.

The expression to be desired might be accomplished by a bill providing for the appointment of negotiators, substantially like the provisions of the act of 1916, to which I have adverted. If the suggestion is deemed by the Committee on Foreign Relations to be of any value, its recommendation can be made accordingly. That is, I desire primarily to test the temper of both Houses of Congress with respect to disarmament—essential, I believe, to the salvation industrially of the world.

Mr. BORAH. Do I understand that this is a joint resolution?

Mr. WALSH of Montana. No; it is a Senate resolution. I ask that it be referred to the Committee on Foreign Relations; I also ask that the invitation extended by the council of the league, and the reply of the President of the United States thereto be printed in the RECORD.

The VICE PRESIDENT. Without objection, it is so ordered.

The matter referred to is as follows:

[From the Washington Herald, December 6, 1920.]

UNITED STATES "CONSULTANT" INVITED ON LEAGUE'S WAR BOARD—STATE DEPARTMENT UNDECIDED ON ACCEPTING GENETIA PROFFER TO SEAT AMERICAN ON MILITARY COMMISSION.

The League of Nations at Geneva has transmitted to the State Department an official invitation to name American representatives to sit in a "consultative" capacity on the permanent military, naval, and air commission of the league.

It was announced at the State Department last night that the Government had not as yet made up its mind what its eventual attitude toward the proposal would be. A high authority in the department expressed the opinion that as the United States is not a member of the league it was hardly likely to avail itself of an opportunity to participate even "consultatively" in a league commission.

The communication telegraphed by M. Hymans, president of the council, reads:

"The council of the League of Nations, acting on a unanimous recommendation of the permanent military, naval, and air commission of the league, passed at its meeting in Geneva on November 25, invites the Government of the United States to name representatives to sit on that commission in a consultative capacity during the study by the commission of the question of the reduction of armaments, a study which the council has requested the commission to undertake forthwith.

"The permanent advisory commission was constituted by the council of the league at its meeting in Rome last May and held its first session at San Sebastian in August. The commission is at present composed of military, naval, and aerial officers of States represented on the council of the league. Its decisions are purely advisory and not in any sense binding, but they represent the common technical judgment of the experts of many countries.

"It would, of course, be perfectly understood that the presence of the representatives of the United States would in no way commit the American Government to whatever opinions may be finally put forward in the report of the commission. Nor indeed can that report itself be more than a basis for the consideration by the members of the league of the measures of reductions in armaments which united action may enable them to achieve. Nevertheless, just as in the case of the financial conference at Brussels the presence of an American representative, whose function was only that of giving and receiving information, was an important factor in the success of the work of the conference, so it can not be doubted that the general consideration of the subject of the reduction of armaments will be greatly facilitated if the Government of the United States can see its way to be represented in a similar manner at the meetings of the permanent advisory commission.

"The problem is one to which public opinion in all countries attaches the highest importance.

"It is unnecessary to point out that the reduction of armaments is essential for the well-being of the world and that unless some measures of relief can be found by international cooperation for the excessive taxation due to armaments the general economic situation must become increasingly worse.

"The council in extending this invitation can not but hope that the Government of the United States, particularly in view of the attitude of America toward the question of the competition in armaments, will not refuse to associate itself with the Governments of the members of the league in beginning the preliminary work necessary for ultimate success and to lend to the present effort an assistance which can in no way encroach upon its own perfect liberty of action."

WILSON DECLINES LEAGUE INVITATION—TELLS COUNCIL HE DOESN'T FEEL JUSTIFIED IN NAMING DISARMAMENT ENVOYS—BARRED BY NON-MEMBERSHIP—PRESIDENT DECLARES UNITED STATES IS IN SYMPATHY WITH PLANS OF COMMISSION.

[By the Associated Press.]

President Wilson yesterday declined the invitation of the League of Nations to send delegates to take part in the discussions of the disarmament commission.

The President informed the League of Nations council that inasmuch as the United States was not a member of the league he did not feel justified in appointing a commission "to take even a de facto participation."

The United States, however, the President declares, is in sympathy with any plan for world disarmament.

SENDS REPLY TO HYMANS.

The reply was transmitted yesterday through the State Department to Paul Hymans, president of the council. It follows:

"I have the honor to acknowledge the receipt of your cablegram of December 1 inviting the Government of the United States to name

representatives to sit with the military, naval, and air commissions of the league in a consultative capacity during the discussion by the commission on the reduction of armaments, the consideration of which is to be undertaken by it forthwith at the request and on behalf of the council.

#### ADMITS A DEEP INTEREST.

"The Government of the United States is most sympathetic with any sincere effort to evolve a constructive plan for disarmament, which is necessary for the economic rehabilitation, peace, and stability of the world. The President of the United States is deeply interested in this question and is most desirous of cooperating to this end, but as the Government of the United States is not a member of the league he does not feel justified in appointing a commission to take even a de facto participation in the deliberations of the council or of the commission acting on behalf of the council in the execution of provisions in the covenant of the League of Nations."

The VICE PRESIDENT (at 12 o'clock and 45 minutes p. m.). The morning business is closed.

#### FINANCING OF AGRICULTURAL OPERATIONS.

Mr. GRONNA. On yesterday, before adjournment, the unfinished business, Senate bill 3944, was laid before the Senate, with the understanding that the War Finance Corporation joint resolution should be taken up. I therefore ask that the unfinished business be laid aside temporarily so that Senate joint resolution 212 may be taken up for consideration.

There being no objection, the Senate, as in Committee of the Whole, resumed the consideration of the joint resolution (S. J. Res. 212) directing the War Finance Corporation and the Federal Reserve Board to take certain action for the relief of the present depression in the agricultural sections of the country.

Mr. SMOOT. Mr. President, I have not had time to discuss this joint resolution with the chairman of the committee, and I am going to take just a few minutes of the Senate's time to call his attention to section 2 of the joint resolution.

I can not conceive why section 2 is in this joint resolution, and there are certain expressions in it which I know it is impossible to interpret. I can not see why the Senate should undertake to direct the Federal Reserve Board, by language which no one can understand and will not tend to secure the object the Senator introducing the joint resolution had in mind. For instance, it says, "That the Federal Reserve Board is hereby directed to take such action as may be necessary."

That is a broad expression, Mr. President; who knows what will be necessary; and I do not know of any direction in the past by Congress to any agency of the Government couched in such words.

Then it proceeds to say:

To permit the member banks of the Federal Reserve System, in accordance with law and consistent with sound banking.

Another very strange expression to be enacted into law.

Following that it says, "by permitting the rediscounting of such notes of extension at the lowest possible rate of interest." If that were interpreted by the Federal Reserve Board literally, it would be 1 per cent or less. Section 2, it seems to me, will not clarify things, but will bring into the law expressions which it will be impossible for members of the board to follow.

I can not see any reason for section 2 to reach just what the committee has in view; that is, to revive the War Finance Corporation. If it is revived, then the act creating the corporation will be in force, and that provides just what the corporation can do.

Mr. BORAH. Mr. President—

Mr. GRONNA. If the Senator from Idaho will pardon me a moment, the Senator from Utah has failed to read that portion of the paragraph which is vital, and that is the language, "in accordance with law and consistent with sound banking."

Mr. SMOOT. I read that.

Mr. GRONNA. Can the Senator imagine any language more definite than that particular language?

Mr. SMOOT. Yes. If the Senator had said, "in accordance with law" and left out the words "and consistent with sound banking," it would have been understood by all. What is deemed "consistent with sound banking"?

Mr. BORAH. That is the question I wanted to ask.

Mr. SMOOT. One man may say one thing, another man may say another, and I do not see how we can direct the Federal Reserve Board to proceed in a way that will be "consistent with sound banking."

What we ought to do, if we are going to direct them to do anything, is to say positively what we want them to do; and I think that "in accordance with law" is sufficient, because I do not believe they have any right, nor should they have, to proceed in any other way than in accordance with law. When this corporation is revived, then the act creating the War Finance Corporation will be in force again, and they will operate under that law. I think that is all the Senator wants.

Mr. GRONNA. Mr. President, so far as I am personally concerned, I can assure the Senator from Utah that it would be

very satisfactory to me to strike out the language "consistent with sound banking," if the Senator from Utah is satisfied with the language, "in accordance with law." I shall not now take the time of the Senate or speak further in the Senator's time, but I had assumed that any man who had had anything whatever to do with banking would at all times know what "sound banking" means.

Mr. SMOOT. There are men appointed on boards and commissions in the departments who never before in their lives followed the business which they are appointed to handle. I do not believe that any man ought to use his judgment as to what sound banking might be, if it conflicts in any way with the law.

Mr. GRONNA. There can be many theories, but there can be only one practice or method of sound banking, and no one knows that better than the Senator from Utah.

Mr. SMOOT. Then, Mr. President, it seems to me that the only thing to do is to strike out section 2. Perhaps it will shorten this discussion, as far as I am concerned, if the Senator will really tell me why section 2 is in this joint resolution. What is the object of it?

Mr. GRONNA. The object of section 2 is this: That the committee recognized, as every Senator will recognize, that some of this relief must come with the cooperation of the Federal Reserve Board.

Mr. SMOOT. They can only do it under the law.

Mr. GRONNA. If the Senator will permit me, a careful reading of the War Finance Corporation act will show that it is exactly in compliance with the law. The Senator will upon reflection see that it is nowhere in opposition to or in violation of the provisions of the War Finance Corporation act.

Mr. SMOOT. If section 2 becomes a law, can the Federal Reserve Board do more than they can now do under the law?

Mr. GRONNA. It is more of a suggestion. As the Senator from Georgia [Mr. SMITH] so well said yesterday, the first section is absolutely mandatory. Section 2 is a very helpful suggestion—

Mr. SMOOT. I am not criticizing section 1.

Mr. GRONNA. Because every business man knows that much valuable relief can be given through the Federal Reserve Board cooperating with the War Finance Corporation. Nobody knows that better than the Senator from Utah.

Mr. SMOOT. I expect, Mr. President, that both those agencies will act along the line that is provided by the laws which are upon the statute books. All the Senator wants to do is to revive the War Finance Corporation.

Mr. GRONNA. That is one of the objects.

Mr. SMOOT. If the Senator desires to do more than that, then this joint resolution is not sufficient. When the War Finance Corporation is revived, then it finds its power in the act approved April 5, 1918, by which the corporation was created. In this joint resolution we are not giving them any more power.

Mr. GRONNA. No.

Mr. SMOOT. There is nothing here that is giving more power to the Federal Reserve Board than they have under existing law. Therefore it seems to me that what the Senator wants to do is to revive the War Finance Corporation, and not say anything about the Federal Reserve Board, unless you want to amend the act creating it.

Mr. GRONNA. It is not the intention of the committee, so far as I know, to make any amendment to that law, nor do the provisions of this joint resolution amend the law in any respect, neither the original law nor the amendment which was enacted on March 3, 1919, which of course extended the jurisdiction of the War Finance Corporation to do business with foreign nations, as the Senator well knows. I have not had the time to confer with the other members of the committee, but so far as I am personally concerned I have no objection to striking out the language "and consistent with sound banking." However, I do insist that section 2 is material and important, and I would not be willing to strike it out.

Mr. SMOOT. Well, Mr. President, I shall certainly offer an amendment to strike out section 2 of the joint resolution when the time comes. I do not think for a moment that when the attention of Senators is called to it they will insist upon section 2 remaining in the bill.

Mr. SMITH of South Carolina. If the Senator will allow me, I think the main object of this section is to call the attention of the Federal Reserve Board to the high rate of rediscount obtaining now, and to the necessity, as a great many see it, of lowering the rate of rediscount on this class of paper, under the power which they have under the law. It is not without precedent that that is sought to be done, because in 1914 and 1915 the Federal Reserve Board gave a preferential



rate to agricultural paper. It did it for the benefit of the country, and it resulted in benefit to the country.

Mr. SMOOT. It was done under the existing law.

Mr. SMITH of South Carolina. It was done under the existing law. I think myself that perhaps the language "in accordance with law and consistent with sound banking" might be left out, and, going right to the heart of the matter, which is to give a preferential rate to agricultural paper, the section should read, just leaving out any reference to sound banking principles or "in accordance with law," as follows:

That the Federal Reserve Board is hereby directed to take such action as may be necessary to permit the member banks of the Federal Reserve System to grant liberal extensions of credit to the farmers of the country upon the security of the agricultural products now held by them, by permitting the rediscounting of such notes of extension at the lowest possible rate of interest.

The Senator must remember that the rate of rediscount now is 6 per cent, and in North Carolina the usury rate is 6 per cent, so that a bank in North Carolina could not rediscount a dollar at Richmond. According to the Comptroller of the Currency the resources of the banks of the country are \$53,000,000,000. We all know that there is money enough in this country and brains enough in this country to bridge the chasm between us and the nations of Europe, who need our commodities, and to get the securities that would be necessary to move our products from this country abroad; but the man who has the products is the man who has not the organization and the capital to relieve the situation, and the man who has not got them generally wants them to go down. That is the situation, and that is what we are trying to obviate now.

Mr. SMOOT. If that is the object of section 2, why not express it so that everyone will understand it? Section 2 does not say that at all. If that is what we want to do, we ought to amend the law and say that the rate of interest shall not be above a certain percentage.

Mr. SMITH of South Carolina. If the Senator will allow me to make a further observation, the law allows them now to use discretion in their rates of interest on certain classes of paper. Why, even the merchant dealing in the wool of the West and the cattle of the West and the cotton of the South is absolutely or practically without a market, not because there is not a potential demand, but because everybody has lost faith, because the word went out, "Deflate, deflate," and certain loans were called; and the intricate relations of all the business of this country are such that you can not vitally affect one without affecting every one. When you began to knock your ninepins down they all went down.

Why should we not say directly that it is the judgment of Congress that we should extend a preferential rate to the fundamental business upon which this country rests—agriculture?

Mr. SMOOT. The law now gives that right, and if we are going to change it let us say what we want them to do and not infer by language that they can act in any way they want to. The law now gives them the right to make different rates.

Mr. SMITH of South Carolina. The law now is for the War Finance Corporation to operate, but it is not operating, and we are directing it to operate.

Mr. SMOOT. You are rehabilitating that, and there is a question about its power to function.

Mr. SMITH of South Carolina. It is still the law.

Mr. SMOOT. There is a question about that. There is no need of going into that, because I think the Senate is pretty well convinced of the need for the rehabilitation of that corporation; but section 2 is an entirely different proposition. It has been stated upon the floor of the Senate that as a result of section 1 and the rehabilitation of the War Finance Corporation the corporation will not sell more bonds. If they are not going to sell more bonds nothing will come from the passage of this resolution. The War Finance Corporation will go into the market immediately and sell their bonds, and that is what we all understand they will do.

Mr. SMITH of South Carolina. If the Senator will allow me again, I do not know that the second section is so vital if the other functions according to its purpose and intent. But I do know that the rate of rediscount on commercial paper in this country now was raised to a point where it is for the express purpose of contracting the currency. Now that, in conjunction with the widespread propaganda, was the expressed policy of our Federal Reserve officials, that we must deflate, but perhaps they got the terms "deflation" and "expansion" mixed in their minds. However, whatever was their purpose they have accomplished it—there is no doubt about that—to the bankruptcy of the country.

We thought one of the elements that had entered in was their lack of inspiring confidence along certain fundamental lines, namely, the agricultural interests, and in expressing a

preferential rate toward them and toward certain other things that might not be as necessary we would not only render real material aid but inspire confidence, the Government recognizing the fact that the agricultural interests of this country were the bedrock upon which everything rests, and that the prosperity of agriculture means our prosperity and its ruin our ruin. That is the object, I think, of section 2.

Mr. SMOOT. No matter how much I may desire to see section 1 passed, I do not want to make any statement upon the floor of the Senate that would not be justified. We have heard much about the deflation of currency. We have had no deflation of currency to the present time.

Mr. BORAH. May I ask the Senator from Utah a question for my own enlightenment? I know the Senator has given a great deal of consideration to this subject. I find from some figures which have been furnished me that New York City banks have on deposit from country banks at this time \$1,021,211,022. That is money drawn from the country which ought to be out doing the service of the country. Does the Senator know of any method under the present law by which that condition of affairs could be remedied?

Mr. SMOOT. I will say to the Senator from Idaho that the law of each State requires that its banks shall have a certain percentage of their deposits on hand. No bank keeps the full percentage in its vault. Such banks deposit a part of their reserves in the New York banks and receive from 2 to 2½ per cent on their daily balances. The interest received is one reason they keep it there. Not only that, they keep credits in New York banks in order that they may issue drafts to their customers to pay their debts for eastern purchases and carry on all sorts of transactions that occur in all parts of the country. A New York draft is taken in San Francisco; it is taken in Kansas City; it is taken in Chicago; it is taken everywhere; and nearly every bank in the United States of any size keeps an account with the New York banks and receives 2 to 2½ per cent on their daily balances. That is one reason the money is held in New York, I will say to the Senator. If they had this money now in the banks in New York out in their own vaults, they could not lend any more of it than they are lending now, because of the very fact that the law requires that they shall keep a certain percentage of their deposits on hand.

Mr. BORAH. Does the Senator contend that the law requires that they shall keep this amount on hand?

Mr. SMOOT. The amount that is named, and a great deal more, in my opinion, I will say to the Senator. I do not think there is a bank now in the United States that has very much more on hand than the law requires. They are loaned down as low as at any time in the history of the country.

Mr. GLASS. Mr. President, I think I must have misunderstood the Senator from Utah if he contends that there is any law, National or State, that compels any bank to keep a balance in any correspondent bank in New York City.

Mr. SMOOT. I never made such a statement.

Mr. GLASS. The Senator from Idaho asked why the money was in New York.

Mr. SMOOT. And I told the Senator why it was in New York.

Mr. GLASS. I do not think the Senator from Utah was exactly accurate in his statement.

Mr. SMOOT. What did the Senator from Utah say?

Mr. GLASS. Perhaps I did not hear the Senator fully.

Mr. SMOOT. I think the Senator from Virginia did not understand what the Senator from Utah said.

Mr. BORAH. What I would like to know from some one who knows is why all this money is congested in New York City, where, we are informed, they are using it in large measure for purely speculative purposes and dealing in a class of securities which does not help the country in a crisis like this. This money seems to be used largely for loans on call at a very high rate of interest and for a class of business which serves the country in times like these very little indeed.

Mr. GLASS. I understood the answer of the Senator from Utah to be that it was drawn there by the payment of a low rate of interest on deposits. As a matter of fact it is drawn there to be loaned out as call money at a very high rate of interest.

Mr. SMOOT. This is what the Senator from Utah said, and the Senator from Utah knows what he is talking about—

Mr. GLASS. I do not deny that at all. Perhaps I did not understand the Senator from Utah aright.

Mr. SMOOT. This is what the Senator from Utah said. The Senator from Utah said that most of the banks in the intermountain country, in the West, and in the Middle West as well, maintain an account in the banks in New York City and the amount that is deposited in New York is a part of the

percentage of their deposits that is necessary to keep on hand. The reasons why banks deposit money in New York are twofold. One is that they must have funds in New York to issue drafts against the same to their customers to meet their customers' obligations and—

Mr. GLASS. For which there is no use at all under the Federal Reserve System, and the money kept in New York by the country banks is not there as a part of the legal requirements of the money on hand. That was all changed by the Federal reserve act. The money required to be kept on hand and deposited is kept with the Federal reserve banks and not with the New York banks or any other banks except the Federal reserve banks.

Mr. SMOOT. I know what we do in our banks. I know we count it as a part of the reserve; and I know other banks do it, so there is no need of discussing it.

Mr. GLASS. They have no right to count it.

Mr. SMOOT. I know they count it as a part of their reserve.

Mr. GLASS. They are not permitted under the law to count deposits with correspondent banks as a part of their reserve.

Mr. SMOOT. Not for the Federal reserve bank, but they are permitted to do so as to the amount of money on deposit that the States by law require, and I said that was under the State law, and the Senator from Idaho [Mr. BORAH] will sustain me in that statement.

Mr. GLASS. The Senator may be correct.

Mr. McLEAN. May I ask the Senator from Idaho [Mr. BORAH] if this statement which he has just read referred to the Federal reserve banks and member banks or all of the banks of the country?

Mr. BORAH. This is given to me as the amount of money on deposit in New York City banks by the country banks.

Mr. McLEAN. Very likely the 20,000 banks that are not in the system would account for a large portion of those deposits.

Mr. BORAH. In addition to that, the banks of eight of the large cities in the United States have on deposit in country banks \$1,977,460,000. You see where the money of the country is. It is congested in these money centers, and the very object of the Federal Reserve System was to prevent that condition of affairs. The fact is that the Federal Reserve System does not seem to be operating as it was intended to operate. It looks like there was undue influence in some quarters. I trust I am in error, but this is not a healthy condition of affairs.

Mr. McLEAN. So far as the Federal Reserve System is concerned, I think the Senator will find that the reserves of the member banks are being deposited of course in the Federal reserve banks, and these reserves are kept there, and the eastern Federal reserve banks are now lending very largely to the southern and western banks, and there is no concentration of currency in New York.

Mr. BORAH. I beg the Senator's pardon, but I have the loans also which accompany this proposition to the country banks, and it makes very little difference in the sum total of the figures.

Mr. McLEAN. According to Gov. Harding's statement before the Committee on Agriculture on this very matter, the southern and western banks are now borrowing large sums from the eastern banks. The western banks are borrowing very largely from the eastern banks belonging to the Federal Reserve System. That was Gov. Harding's testimony.

While I am on my feet I want to say to the chairman of the Committee on Agriculture and Forestry that section 2 of this joint resolution is absurd, in my opinion.

Mr. SMOOT. It is perfectly absurd.

Mr. McLEAN. There is no question about that. It does not attempt to add one dollar to the reserves of the Federal reserve banks or of the member banks. When we pass a law directing the Federal Reserve Board to do all that may be necessary to extend credits to the farmers at the lowest possible rate of interest, we direct them to do what can not be done, unless we provide some way by which the reserves in those banks may be increased.

Mr. SMITH of South Carolina. If the Senator from Utah will allow me, I desire to ask the chairman of the Committee on Banking and Currency a question. In reference to the tremendous loans, which appear on paper, to the agricultural districts, South and West, East and North, I desire to ask, Has the Senator from Connecticut any way of ascertaining how much of these so-called loans are bond accounts, transferred to commercial accounts and rated now, in contradiction of promises, as commercial accounts, when they are really loans for the purchase of bonds?

To illustrate, this occurred in my State: A man was approached by a banker and asked to buy a \$1,000 bond. He replied, "I have only a \$2,000 credit with your bank to run my

farm, and if I take this \$1,000 bond—and you say you will carry 90 per cent of it—it will be charged against my commercial account." The banker said, "Oh, no; this loan will stand on its own bottom; this bond will be a distinct loan and will take care of itself." When the spring opened and the farmer went to open his account the rate of interest on the bond, in moneys that he might draw, was increased beyond the rate that the bond bore, and it was charged to his commercial account. That, I am informed by bankers, was universal all over this country. The volume of seeming loans to our agricultural interests consists merely in the conversion of the indebtedness of the people who, buying beyond their means under the promise that the loans would be carried as special bond loans, find them now converted into commercial loans, which are charged against their commercial account, thereby stagnating everything.

Mr. McLEAN. Mr. President, if the Senator from Utah [Mr. SMOOT] will pardon me, the question of the Senator from South Carolina [Mr. SMITH] is one which would have to be answered by the members of the Federal Reserve Board. Of course, whatever has been done, has been done according to law. The Senator from South Carolina does not dispute that. The pending joint resolution does not undertake to change the law. I might reply to the Senator from South Carolina by again quoting Gov. Harding's testimony before the committee. He said that there were cotton growers in the South who were trying to get accommodation from the banks to hold cotton that was grown in 1917 in order to peg the price of that cotton until they could sell it for a profit. Probably that is one of the reasons why the members of the Federal Reserve Board have been trying to conserve the resources of the Federal Reserve System and to direct them to the accommodation of the legitimate commercial needs of the country.

Mr. SMITH of South Carolina. I will say to the Senator from Connecticut, if the Senator from Utah will permit me—

Mr. McLEAN. If the Senator will pardon me one moment, I think this question is one which has to be faced in a courageous way. My sympathies are entirely with the purposes of the joint resolution, but I am not in favor of enacting legislation which is purely deceptive. I think we had better tell the whole truth about the situation and not try to fool the farmers. If the chairman of the Committee on Agriculture and Forestry or the Senator from South Carolina can point out that section 2 of the joint resolution will provide a single additional dollar for the accommodation of farmers seeking credit, I will withdraw my objection. That can not be done under the section. The officials are left to administer this section according to law, and it is absurd to direct them to do everything that is necessary to provide the farmers of the country with money at the lowest possible rate of interest when we know it is an impossibility.

Mr. SMITH of South Carolina. Why is it an impossibility?

Mr. McLEAN. Because we have not the reserves.

Mr. SMITH of South Carolina. The Comptroller of the Currency, in a public statement which I have in my pocket, which he issued some time in October, officially declared that there was enough gold reserve held by the Federal Reserve System to issue \$2,000,000,000 more of circulating notes than were then outstanding, and that was in the midst of the deflation period.

Mr. McLEAN. I want to tell the Senator that the reserves in some of the Federal reserve banks are now below the legal requirement and that the average is close to the legal requirement.

Mr. SMITH of South Carolina. Yes; and if the deflation and destruction of prices go on—and we have changed the basis of our credit to where it is largely a commodity basis—we shall not have any reserve in any of them.

Mr. SMOOT. Now, Mr. President—

Mr. POMERENE. Will the Senator allow me to make a suggestion?

Mr. SMOOT. Yes; I will yield to the Senator.

Mr. POMERENE. I realize that the Federal Reserve Board has had very serious difficulty in determining what should be the discount rate, and we must not forget while we are trying to serve a certain clientele that it is the course they have taken which has kept our financial system safe, and which can differentiate it from some of the financial systems of Europe. Let me suggest to our friends who are seeking to serve certain localities—and I sympathize with them; I realize the difficulties under which they are laboring—that existing conditions do not affect the agricultural interests any more than they affect the manufacturing or commercial interests. More than that, let me make the suggestion that it is not the rate of discount which the Federal reserve bank may decide to be the proper rate of discount that is going to control the rate of interest



which is charged to their customers by the banks of the several States. In the State of Ohio, for instance, the legal rate is 6 per cent; the contractual rate may be 8 per cent; in many of the States the legal rate is 10 per cent; and if we have a discount rate of, let us say, 5 or 6 per cent, who is to get the difference? Will the customer get it or will the local bank get it?

Mr. SMITH of South Carolina. Mr. President, if the Senator will allow me, I can state that in 1914 and 1915 and a part of 1916, I believe, a preferential rate was given agricultural products, and that the banks themselves allowed a lower rate for the benefit of the farmers. There may be some instances where that was not so. The Senator from Ohio knows that the higher the rediscount rate necessarily the nearer will it be to the legal rate in a given State; the margin between the two will grow smaller.

Mr. GLASS. Mr. President, apropos of what the Senator from Ohio has just said, the major provocative for raising the rate of rediscount by the Federal Reserve Board and the Federal reserve banks was the fact that there were thousands of banks in this country located in the States in which the rate of interest was high which were almost subsisting by the profits they made out of rediscounts. They were getting money from the Federal reserve banks at 5, 5½, and 6 per cent and loaning it to their customers at 10 and 12 per cent. Thus the system placed a premium on rediscounting rather than responding to the commercial requirements of the country.

Mr. SMITH of Georgia. Are not the national banks limited to 8 per cent in connection with the interest charge to their customers?

Mr. GLASS. There is a considerable money-making profit in the difference between 5½ or 6 per cent and 8 per cent, if the volume of transactions be large enough.

Mr. SMOOT. Mr. President, I do not know where I left off when I was interrupted half an hour ago, but I was answering, I think, a question asked me by the Senator from Idaho [Mr. BORAH]. I had made the statement that the western banks held deposits in the banks of New York for the purpose of issuing drafts against their accounts and meeting the requirements of their customers in connection with the purchase of goods in all parts of the United States. I know the Deseret National Bank, of Salt Lake City, a member bank, keeps a deposit in New York all the time. I know they have never loaned on time a single dollar of the money deposited in New York, and I know that they have never speculated in a commodity or stock from the time that they were organized up to the present day. They do, however, as I have said, keep a deposit in New York for the accommodation of their customers and to facilitate their own business. They also draw interest upon their daily balance.

Mr. GLASS. I hope the Senator did not understand me to deny that proposition. I said they are not legally obliged to keep deposits there.

Mr. SMOOT. Nor did I say that they were; I have never intimated such a thing. I said that they kept deposits there because they could draw 2 per cent or 2½ per cent on their daily balances and because they desired deposits there for the accommodation of their customers.

I know, Mr. President, that there has been a great deal of money made by the little banks by the rediscounting of paper, getting money from the Federal reserve bank in the district in which they are located and then lending the money just as the Senator from Ohio [Mr. POMERENE] has said they have done; but there are many of the banks, I believe, that have not followed that practice. I know the bank in Provo, of which I am president, has never discounted a cent of paper from the day that it was organized down to the present time. It has never asked assistance of another bank, and I hope and trust that it never will be compelled to.

However, what I desired to do was to call the attention of the Senate to the absurdity of section 2 of the joint resolution. I do not want the farmers of the country to think for a moment that section 2 places one dollar more at their command than is at their command to-day. Why is that section of the bill here? I think it would be better for the Senate of the United States to strike it out. Let us say what we want; that is, to rehabilitate the War Finance Corporation, and when it is rehabilitated to employ \$500,000,000 of capital stock. Section 12 of the act creating the corporation gives them the power of making loans, as I remember, to the extent of six times the amount of the capital stock, or \$3,000,000,000. Let us not deceive ourselves. How much money are we going to advance and how are we going to get it? There is only one way to get it, and that is to sell bonds, as provided by the law.

I am not saying this in opposition to the measure at all. If a Senator can show me what section 2 will do toward assisting the agricultural interests of the United States I will admit that I was wrong. But there is nothing in it, Senators.

Mr. SMITH of Georgia. Mr. President, I have suggested adding in the seventh line, after the word "agricultural," the words "and other products," so that it will read "the financing of the exportation of agricultural and other products."

Mr. SMOOT. That is right. Everybody must admit that that is right. Why should we direct an agency of the Government of the United States, organized for the purpose of assisting the exportation of all kinds of goods, that it shall from now on grant assistance to one class? We want to be fair to ourselves. We want to do such things that at least the American people can point to us and say that we are using good judgment.

Mr. SMITH of South Carolina. Mr. President, of course the chairman of the Agricultural Committee is here, and other members of the committee, but I want to say, in justification of myself as a member of the committee and as one helping to report out this joint resolution, that it was the opinion of the committee as expressed in my hearing that the law was such that if the War Finance Corporation were rehabilitated they already had power to look after these other industries; but, on account of the fact that agriculture and cotton were suffering more than anything else by the very nature of the case, since they are not organized and have no reserve capital like our corporate interests in this country have, we just attempted to emphasize here the needs of agriculture, though not to the detriment of the others. Of course the War Finance Corporation will operate for the aid of others, but we drew particular attention to the distressing condition of agriculture.

Mr. SMOOT. Mr. President, I would have voted for section 1 of the measure just as it is, because if the War Finance Corporation is rehabilitated I know what it will undertake to do, but we are not going to get any more money from section 2, and if we rehabilitate the War Finance Corporation with its \$500,000,000 of capital, and section 12 of the law, authorizing the sale of bonds to six times that amount, or \$3,000,000,000, that ought to take care not only of the agricultural interests of the country but of every other interest. I want to say that if we can not take care of the country on that basis the country will not be taken care of, because more bonds than that can not be sold in this market. In fact, it would be an impossibility to place that amount. So why load down a measure with a provision that is so inconsistent, that means nothing to the industries of the country, and that means nothing to the farmer in the way of assistance?

I think it is the part of wisdom for the Senate to strike out that section, and I think the joint resolution would have a far better chance of passing in the other body, the House of Representatives, if that were stricken out, because when it goes to the House it may be the means of holding it up for discussion for a long, long time. What is wanted is immediate relief. Time is of the essence of this thing. There is suffering at this very moment, not only on the part of the producer, but on the part of the banks that are loaning and have loaned the producer money.

It is impossible for the stock men of the West to borrow more money. How are they going to get feed for their cattle this winter? How are they going to take their sheep from the summer range to the winter range, and provide for carrying them through the winter, unless they get immediate relief? Senators, let us not put anything in this joint resolution that is going to take time by bringing on discussion.

Mr. GRONNA. Mr. President, does the Senator understand that the provisions of the War Finance Corporation act mean that that corporation can deal with anyone except banks—that it can deal with any individual in the way of furnishing him money?

Mr. SMOOT. I have the act here, and I will read it.

Mr. GRONNA. Is it not true that through the general course of business the money will be placed with the banks?

Mr. SMOOT. Why, Mr. President, of course anybody that gets a salary, or that borrows a dollar from any source, as a general thing deposits the money in a bank.

Mr. GRONNA. I mean the transactions will be made through the banks.

Mr. SMOOT. Why, certainly; unquestionably.

Mr. GRONNA. Then, I ask the Senator from Utah, and also the Senator from Connecticut, why is it so absurd to call the attention of the banks that get this money to the requirement of the law that they shall loan to these people at a liberal rate of discount? The Senator must not overlook the fact that the Committee on Agriculture and Forestry has held extensive



bearings; and if he will refer to page 53 he will find, in the statement of the governor of the Federal Reserve Board, that he calls attention to the fact that since January 27, 1920, when the word went out raising the rate of discount, the loans have decreased. Now, what difference does it make whether you have the banks full of money or not if the public are not going to get the money? Does that help the farmer, I will ask the Senator from Utah?

Mr. SMOOT. The Senator from North Dakota is a banker himself; and I will ask him if a farmer at the present time made application to his bank and the bank's reserves were as low as it was safe for them to be whether he would make the loan?

Mr. GRONNA. I shall be very glad to answer the Senator. I have never dealt with the Federal Reserve Board; I have never had a dollar from the Federal reserve banks; I have never rediscounted with them.

Mr. SMOOT. Neither have I.

Mr. GRONNA. But if I could have the advantage and the benefit of this particular law, I could extend that benefit to the farmer, and I could not do it in any other way.

Mr. SMOOT. Mr. President, the Senator is a banker, and he knows that if he will take up the bank statements that were issued last month he will find that nearly every bank in the United States is loaned to the very limit of safety. They are not going to take any chances of loaning below the amounts the law requires that they shall hold on hand against their deposits. If they do, those who know the banking business know what will happen to them. Therefore I say to the Senator that the money that will come from the sale of these bonds ultimately will find its way into circulation. That is the object of it. That is what it is for. If it is not going to do that, then let us not pass the resolution.

Mr. GRONNA. Does not the Senator from Utah overlook one important fact? In the amended law of March 3, 1919, the War Finance Corporation is permitted to do foreign business to the extent of a billion dollars. That is the way the Senator understands the law, is it not?

Mr. SMOOT. Does the Senator from North Dakota mean the Edge law?

Mr. GRONNA. No; I mean this law, the War Finance Corporation law.

Mr. SMOOT. Yes; as I remember it.

Mr. GRONNA. I know that one citizen who was a member of the War Finance Corporation intended that we should extend our business with foreign nations. We do not depend for that extension entirely upon the sale of bonds. We want to sell our products, and the only way we can dispose of them is to seek a market in foreign lands.

Mr. SMOOT. Mr. President, we do not need any legislation for that purpose.

Mr. GRONNA. I will say to the Senator that this legislation will remedy that.

Mr. SMOOT. Why, yes; because of the very fact that we have to advance the money in order to do it; that is all. The Senator knows that Germany has not the money now to buy the wheat of this country, or the wool of this country, or the cotton of this country. We might just as well understand it as not. The people of Germany have not got it; and if they are going to buy these products they will have to get credit or advances in order to do so.

Mr. GRONNA. I agree with the Senator.

Mr. SMOOT. I want to say to the Senator that when the revenue bill was under discussion we were asked here upon the floor of the Senate time and time again how much money our Government was going to loan to foreign countries and when we were going to stop such loans. I answered the question as briefly as I could by saying that I did not know how much it would be, but it would be equivalent to the amount of the balance of trade between the two countries. England did not have the money; France did not have the money; the money was not in the world to pay such trade balances, and we would simply have to loan them the amount of the difference between the trade of the United States and the trade of those countries; and that is what we did.

Mr. GRONNA. The Senator from Utah and I do not really disagree on the questions that are fundamental; and if the Senator will pardon me for digressing a little from the real question that he is discussing, I think what I am about to say is pertinent to this discussion. If the Allies do not have the money necessary to set up this vanquished nation in business—I do not know that they intend to do it, but I am going to state my own views with reference to that matter. If I owe the Senator from Utah a large sum of money, he is too good a business man to tie my hands and my feet and prevent me

from earning a dollar. If the Allies of Europe want money or credit for the people of that nation, it is their business to make the arrangements that will make it possible for this Government to extend credit, which it can do, I will say to the Senator, without the use of any money. We can extend our credit by selling our products to the people of that country, and nobody knows it better than the Senator from Utah; and that would be a business proposition.

If the Allies are in earnest and really intend to give the people of Germany a chance to make good in paying their debts to the Allies, and if unable to extend credit to Germany, then they should make it possible for us to extend credit, because we are able to do so; but before we can consider such a proposition we must know absolutely that the securities are good.

Mr. SMOOT. That would be all right if the producer would furnish the credit to the foreign countries; but the producer has to have the money, and somebody has to pay him the money, and somebody has to extend the credit to the foreign nations, and that is what the War Finance Corporation is going to do if anything comes from this legislation. Why, we can not lift ourselves up by the straps of our boots. We can not extend credits to foreign countries, and with the same money and at the same time pay the producer for the goods that are shipped to the foreign countries. That is impossible.

Mr. GRONNA. I think we all agree on that. If the Senator will pardon me for interrupting him, I want to read to him just a short paragraph from the statement made by the governor of the Federal Reserve Board. What does he say? After giving the various amounts which have been loaned and stating how the loans have been extended, he says:

It is evident that any continuation of such a rate of increase as that would soon exhaust the resources of any banking system, no matter how strong. However, from the 27th of January, 1920—

I said 1919 a moment ago; I should have said 1920—

when Federal reserve bank discount rates were advanced, until the present time there has been only a moderate increase in the invested assets of the Federal reserve banks, but a substantial increase in the volume of Federal reserve notes outstanding, and while the angle of ascending credit during the period September 19, 1919, to January 27, 1920, was 45 degrees, the angle since the 27th of January has been but about 2 degrees.

What does that mean? It means that at the very time the farmer is ready to garner his crop and dispose of his crop there is a deflation; there is an absolute stop to the using of the resources. How is he to get along with that sort of a condition?

You force the farmer's product upon the market immediately, and what does it mean? It means that he must dispose of it at any price he can possibly get.

Mr. SMOOT. We have gone far afield, Mr. President, from what I rose to discuss, and I do not think it is necessary for me to take any more time of the Senate.

I am just as much interested in this legislation as the Senator from North Dakota [Mr. GRONNA] is interested in it. I know the situation of the farmers in this country just as well as he. I know the situation not only of the farmer but of the stock raiser, and of nearly every interest in the United States. We are having now hundreds of men knocking at the doors of the Finance Committee asking that all the losses for 1919 be credited upon their tax account for 1920.

I know, Mr. President, there are very few institutions of this country which are going to come out even this year when depreciation of the value of their holdings are considered, very few of them; and when we had the excess-profits tax under discussion on this floor Senators will remember that I told them then that the profits which the invoices showed were in bricks and mortar and machinery, which at some day or other would not be worth 10 cents on the dollar, and we find that to be the case to-day. When everything was advancing—all manufactured goods, all products, everything that was sold by the merchant—most anyone could have shown a profit in his business if he had taken his invoice at the increasing prices. The advances were enough to show an immense profit every time he took stock. And he took his stock that way, and he paid his taxes upon it, and it seems strange to me that men could not see what was coming.

I was in hopes after the signing of the armistice that reconstruction would be begun at once and gradually reach to the point where business would be upon a sound basis again. But no; the business men of the country did not take action looking to that end. They held up the prices just as long as it was possible. They kept up those extremely high prices and compelled the people to pay them, and now, Mr. President, the slump has come, and prices have been declining so fast that it has almost destroyed business.

So, Mr. President, all I want the Senate to do is to pass legislation which will pass the House as soon as possible to meet the situation, and section 1 will do it without any section 2.



Let us at least be consistent, and let us strike out section 2 of this joint resolution, and then let it pass.

Mr. HARRISON. Mr. President, I did not expect to say anything touching this measure, but I do not like to be indicted for doing such an absurd thing as the Senator from Utah [Mr. Smoot] seems to think the Agricultural Committee has done in incorporating section 2 in this joint resolution.

If section 2 is absurd, section 1 is absurd. Neither of these sections amends the law or changes the law in the slightest. Both of the sections contain merely an expression of opinion, an expression of desire upon the part of the Congress as to what should be done.

Let us see the absurdity which the Senator from Utah says is incorporated in section 2. If we are guilty of doing an absurd thing, I want to call the Senator's attention to the fact that about 30 governors from every part of the United States have not agreed with him. They did not think it an absurd thing. There was a conference of governors from various sections of the country, and one of the recommendations they unanimously agreed upon was to ask the Federal Reserve Board to do that which section 2 requests shall be done by the board.

Mr. NORRIS. Mr. President—

Mr. HARRISON. And I noticed that the present governor of the great State of Utah was there in person, and that the incoming, the next governor of the great State of Utah was there also. I yield to the Senator from Nebraska.

Mr. NORRIS. The Senator has just said what I was going to call his attention to.

Mr. SMOOT. I think the governors wanted legislation in order to assist the agricultural interests of the United States, as well as the others, but I do not think any one of them read section 2. I do not think they ever read a line of it.

Mr. McLEAN. I would like to ask the Senator from Mississippi if he has a copy of the resolutions as adopted by the governors?

Mr. HARRISON. Yes; I have a copy of them, and I will read it for the edification of the Senator from Utah.

Mr. McLEAN. I have read it, and I know that the principal resolution is that Congress pass finance legislation of some sort, or words to that effect.

Mr. HARRISON. I will read the part in which they asked that the War Finance Corporation be revived, and other relief. The resolution provided:

Let the Federal Government create a finance corporation of some sort—

And so forth.

The Federal Reserve Board should be urged and authorized to advise all banks to adopt a liberal policy of renewals.

Mr. SMOOT. That is entirely a different proposition.

Mr. HARRISON. That is practically what section 2 does.

Mr. SMOOT. That is, the Federal Reserve Board was to do that.

Mr. HARRISON. The Federal Reserve Board.

Mr. SMOOT. Yes.

Mr. HARRISON. That is what we are asking them to do in this resolution. I am afraid the Senator from Utah did not read section 2.

Mr. SMOOT. Oh, yes; I did.

Mr. HARRISON. He always reads everything. I am surprised he did not read it.

Mr. SMOOT. I have read it to-day.

Mr. HARRISON. Section 2 provides:

That the Federal Reserve Board is hereby directed to take such action as may be necessary to permit the member banks of the Federal Reserve System, in accordance with law \* \* \* to grant liberal extensions of credit to the farmers of the country—

Mr. SMOOT. Oh, no.

Mr. HARRISON. I will get back to the other proposition. That is what the Senator objected to most vociferously. It continues:

To grant liberal extensions of credit to the farmers of the country upon the security of the agricultural products now held by them—

And so forth. I left out this one proposition just after "in accordance with law," "and consistent with sound banking." The Senator from Utah objects to the words "and consistent with sound banking."

The Committee on Agriculture thought that by incorporating that provision we were clothing it with some conservatism; we really pointed out to the Federal Reserve Board that in extending this liberal credit to the farmers of the country, while they must follow the law, they must also do nothing inconsistent with sound banking. So if we should adopt a motion that might be made by the Senator from Utah to strike out "consistent with sound banking," we would be putting the

United States Senate on record as being against the provision of the law which said to act "consistent with sound banking."

We merely call to the attention of the Federal Reserve Board that in making credits they should follow a liberal policy, and that they should charge as low a rate of interest as is possible "in accordance with law and consistent with sound banking."

It may be that the Federal Reserve Board can not loan any more money because their reserves are not large enough.

Mr. McLEAN. Mr. President, right there—

Mr. HARRISON. If they can not do that, then it does not say that they shall do it, because it expressly provides that they can do nothing that is not consistent with sound banking or in accordance with the law.

Mr. McLEAN. Mr. President, may I interrupt the Senator to ask him a question?

Mr. HARRISON. Certainly.

Mr. McLEAN. Section 2 provides that they shall do all that is necessary to enable the member banks to accommodate the farmers. The Senator has just said that they may find that this can not be done.

Mr. HARRISON. Yes.

Mr. McLEAN. Would it not be better to use the word "possible" instead of "necessary," then?

Mr. HARRISON. I do not know that I would have any objection.

Mr. McLEAN. Do you want to compel them to do a thing which they can not do?

Mr. HARRISON. The Senator from Connecticut [Mr. McLEAN] and the Senator from Utah [Mr. Smoot] know that what we are doing here is that which the Senate of the United States should not be called upon to do.

Mr. SMOOT. Yes; that is right.

Mr. HARRISON. I do not care if the Secretary of the Treasury is a Democrat—and I have very high regard for him; I think he is a splendid man—on this proposition I differ with him, I differ with him absolutely, because I believe that the War Finance Corporation should be revived, and that liberal credits should be extended to the agricultural interests of the country in this very unusual and deplorable situation. The Congress of the United States four months after war was ended thought the War Finance Corporation should be continued, and adopted an amendment to keep it functioning. It should be functioning now, and should not have been closed by the order of the Secretary.

Section 2 does not change any law; it merely expresses an opinion of the Congress of the United States. Section 1 does the same thing—changes no law, adds nothing to the law, but merely expresses an opinion of the Congress of the United States that this War Finance Corporation should be revived.

I asked the Secretary of the Treasury while he was on the stand, "What if a majority of the Congress should differ with you as to the advisability of reviving the War Finance Corporation? How could we get it started and going?"

He said, "By passing a resolution directing me to do it."

So we are merely following the suggestion of the Secretary of the Treasury, and I believe that both of these sections should remain in the bill. It might give some relief to the great agricultural interests of the country. I am opposed to striking out section 2. I do not believe it is an absurd proposition. I believe when the Federal reserve banks make sixty or seventy millions of dollars a year it is possible for them to reduce their rate of interest so that some of the people can be taken care of who need to be taken care of. I am opposed, Mr. President, to the amendment suggested by the Senator from Georgia [Mr. SMITH]; that is, that other products should be added in this resolution. I believe in facing this proposition in a courageous way.

What do we want here? The War Finance Corporation under the law to-day could make loans, if it were functioning, to the manufacturing interests, as well as to the agricultural interests. It could assist every interest in the country.

By passing this joint resolution, and specifically pointing out the agricultural interests, it does not prevent the War Finance Corporation, if it should be revived, from continuing to loan to other interests in the country for export; not at all. But we know that when depression comes, the first interest to feel the depression is agriculture. That is the breaking point, and they have felt it for months—yea; for almost a year. Twelve months ago the things they produced they could sell at a reasonable price; and those necessities they needed, they cost highly, yet they survived because of the prices they received for their products. But to-day the prices of the farmers' products is reduced about fourfold, while for the things he buys he is compelled to pay approximately the same. Cotton in my

country has been reduced from a dollar a pound to 18 cents a pound, and certain grades of cotton can not be sold at all. The price of wheat to the farmers in the West has been greatly reduced, but the things they buy have not been proportionately reduced. Oh, just a little bit it may be, but not much. I think they will come down after Christmas, but the retailers are holding on just as long as they can. The crash is bound to come, but up until this good hour there has been no such depreciation in the things that the farmer has bought as has been in the things he produced and has had to sell.

The VICE PRESIDENT. The morning hour having expired, the Chair lays before the Senate the unfinished business, which will be stated.

The READING CLERK. A bill (S. 3944) to create a Federal live-stock commission, to define its powers and duties, and to stimulate the production, sale, and distribution of live stock and live-stock products, and for other purposes.

Mr. GRONNA. I ask unanimous consent that the unfinished business be temporarily laid aside.

The VICE PRESIDENT. Is there objection? The Chair hears none.

Mr. GRONNA. I ask that the Senate proceed with the consideration of Senate joint resolution 212.

The VICE PRESIDENT. Is there objection? The Chair hears none. The Senator from Mississippi will proceed.

Mr. HARRISON. Now, some Senator said that the value of exports has increased during all this time and gave figures to bear out that statement. That may be true, but I know that one product in bales for export has not increased. I read the testimony of Mr. Meyer. Mr. Meyer, on page 14 of the hearings, says this, and I merely cite this to show that while the value of exports may show an increase and may show large, when you take certain products and give the volume, it does not show an increase. Mr. Meyer says:

Whatever the figures, in dollars may be, the amounts are what interest the producer. The farmer does not produce dollar exports; he produces bales of cotton and bushels of wheat and products measured in pounds and tons. You may be misled by the dollar value of exports, and you may be misled on the total figures. The statisticians say that the volume is 25 per cent in excess of what it used to be before the war. But I have made a little compilation of the cotton situation, simply as an index. The exports from September 4 to November 27, 1920, were 1,481,450 bales—about the same as last year up to date. These 1,481,450 bales compare with the last prewar year, 1913, for the same period, when the amount was 3,837,139 bales, and the year before that it was 3,808,429 bales, and the year before that it was 3,710,514 bales.

And so on down the line, showing that we are not exporting within 2,000,000 bales of cotton of what we were before the war, and we are now trying to revive the War Finance Corporation so that it will help in the exportation of this and other commodities.

I am against adding other products, because we know that the basis of prosperity in this country is agriculture, and it is agriculture that needs help right now. They must have help now. They are laying their plans for their future crops, and they need to be financed. Mr. Meyer, in his testimony, said this when the War Finance Corporation closed. I asked the question of the Secretary of the Treasury if it should be revived whether he could show any preference in making loans, and he took the view that they could not. I think he is wrong. I think the board could say what loans they ought to make, but he takes a different view of it; and so we would be placed in the attitude, unless it is specified and pointed out to the War Finance Corporation that we wanted the agricultural interests taken care of, that they might make all these loans to some one else and aid other industries and not aid this that we think is vital and necessary at this time.

Here is what Mr. Meyer said:

Under more or less similar arrangements the War Finance Corporation financed the export of \$12,000,000 of wheat to Belgium and \$5,000,000 of condensed milk to various countries in Europe. At the time that it was requested by the Secretary to suspend financing exports it had applications involving the export of \$17,500,000 of copper—

That was not financed, because the War Finance Corporation closed—

\$2,200,000 fabricated steel to Italy; \$5,000,000 "Black Patch" tobacco from Tennessee and Kentucky; \$4,000,000 cotton to Czechoslovakia for a large southern exporter; \$25,000,000 cotton to Czechoslovakia for a group of southern bankers; \$3,000,000 for cotton to Italy by a group of bankers; \$9,000,000 by a group of bankers for export of cotton to Italy; \$24,000,000 for the export of cotton by a syndicate of banks headed by one of the largest national banks in the United States; \$2,400,000 by a group of bankers for coal to Italy; \$4,000,000 by a group of bankers for cotton to Italy; \$4,000,000 for ships to be bought or constructed in this country for Italy—in all, \$100,000,000 in applications promising practical results with adequate security, according to the opinion of the directors of the War Finance Corporation.

He said that the reason these loans had not been made to carry on the agricultural exports was because it was a slower process to get the loan arranged for them than for the others. So it is merely as a protection to this great interest upon which the prosperity of the country is based, namely, agriculture, that I think it should be pointed out specifically in the resolution to be taken up, and that in no way will it affect the board in making loans to other interests in the country. The effect of the passage of this resolution will be good. It should help the situation. The least we should do is to pass it, and do it now. That is all I desire to say.

Mr. McCUMBER. Mr. President, I wish to call attention to some imports of grain into the country during the last month. I first wish to call attention to the fact that during the whole year of 1919 we imported 5,405,405 bushels of wheat. Now, that was a whole year's importation. In October of 1920, in a single month, we imported 10,517,528 bushels. A telephone message to the Department of Agriculture brings the response that in all probability the November importations will be at least 12,000,000 bushels. Thus, in a single month of 1920 we have imported twice as many bushels into the country as we imported in the 12 months constituting 1919.

Now, Mr. President, I am going to support by my vote the joint resolution introduced and which is in charge of my colleague. I am not certain that it will produce all that we would like to secure, but I do believe that it will be helpful in giving encouragement and confidence to the export business, and it may help us to export a few of the bushels of grain that we are now importing.

But why not apply an effective remedy? If a merchant finds that he can not sell half of his stock of goods that he now has on hand, he quits buying. Do Senators know of any reason why, when a Government finds that it has more goods than it can use in the United States and is attempting to find some place to sell them, that it should not also quit buying? Why should we be buying Canadian wheat at the rate of 10,000,000 to 12,000,000 bushels a month and at the same time be seeking for some method by which we can export not only that many bushels but in addition export our own surplus?

In other words, while we acknowledge that we have a surplus in the United States which must be exported, we are still allowing that surplus to be increased at the rate of 10,000,000 to 12,000,000 bushels per month.

I know a great many Senators are fearful of the word "embargo," but there has not come a single resolution from one of the commercial bodies of my State asking for relief which has not asked that an embargo be placed upon the importation of these articles. They seem to think that the President of the United States has the power under present law to declare an embargo. I do not think he has, I will say candidly. I do not know of any power that is imposed upon the President to apply an embargo restriction except in that contained in the anti-dumping law. In order to constitute dumping into the country it must be established that the product is being sold from the importing country for export cheaper than it is sold to its own citizens. I do not understand that that is the case in Canada.

Therefore I do not think, under the present law, that we could apply any embargo restrictions. But we can make the law. We can do it in a very few minutes if we see fit. We could pass it through the Senate if we saw fit. We could stop this enormous importation of wheat into the United States. There is a bill now before the Finance Committee or the Committee on Agriculture and Forestry asking that such embargo be placed for one year; of course, for a less time if we finally get a tariff bill that will prevent the excessive importation. That is reaching the situation right where it is. The trouble is we have too much grain in the United States for home consumption and we are adding to that trouble by increasing the number of bushels at the rate of about 10,000,000 to 12,000,000 per month.

Now, Mr. President, I hope we will get some benefit from the joint resolution under discussion. I have little faith, I admit, but I think there is an opportunity for it to do some good. I have tried to ascertain how we are going to get the money, because that, after all, is the real crux of the situation. We say "give credit to Germany and Austria." I hope we can do it. I hope we can take the obligations of those Governments and furnish them with the money, but where are we going to get the money? That is the question. If the banks have loaned to the limit of their ability on the basis of safety we can not get it from the banks.

We hope to sell bonds. The bonds, if they can not be bought by the banks, will have to be bought by the public, by the people generally; but if the banks have not got the money, the



people have not got the money, because what they have is in the banks as a rule. I do not think they will subscribe very liberally at the present time even for bonds to furnish money to buy these crops, though I hope they will. But what little it can do, if it is only a very little, ought to be done. Anything that we can do in relieving the situation ought to be done.

We ought to apply any remedy that we think will be in the slightest degree effective; but I again suggest that the most important remedy, a remedy that would be quickly effective and would show its effectiveness in an immediate response by way of an increased price of these products, would be to prevent their importation.

We can not get anything for our wool; wool is coming into the country in enormous quantities; and I am informed—and I believe credibly—that the Australian and New Zealand and Argentine wool crop is now ready to be thrown into the country in greater quantities than ever before. Now, I simply say that so long as we have enough wheat in the United States to supply the American people with flour for a full year, and then some to spare, I would stop the importation of wheat under the present exigencies. If we have wool enough in the United States to make all the clothes that we shall need for the next year—and I am informed that we have—I would stop the importations of wool until the farmers could get a price that would allow them at least to buy the cloth with which to clothe themselves.

The situation, Mr. President, is a most serious one, and I have not as yet heard of any remedy which I think will be adequate to meet it. The remedy of an embargo would be more valuable than any other possible remedy at the present time. If we can not get that, I shall cheerfully vote for the pending joint resolution, from which we hope to secure at least some benefit.

Mr. HARRIS. I offer an amendment to the joint resolution, which I send to the desk.

The PRESIDING OFFICER (Mr. CURTIS in the chair). The Senator from Georgia offers an amendment, which will be stated.

The READING CLERK. On page 2, section 2, line 16, it is proposed to strike out the words "the lowest possible rate of interest" and to insert "not exceeding 6 per cent per annum."

Mr. HARRIS. I will ask the Secretary to read the section as it would stand with the amendment which I have proposed inserted.

The PRESIDING OFFICER. The Secretary will read as requested.

The READING CLERK. As proposed to be amended, the section would read:

SEC. 2. That the Federal Reserve Board is hereby directed to take such action as may be necessary to permit the member banks of the Federal Reserve System, in accordance with law and consistent with sound banking, to grant liberal extensions of credit to the farmers of the country upon the security of the agricultural products now held by them by permitting the rediscounting of such notes of extension at not exceeding 6 per cent per annum.

Mr. HARRIS. Mr. President, I desire to state that I should favor the rate of 5 per cent interest instead of 6, but I think the amendment I have offered will meet objections which have already been urged against section 2. In my State the legal rate of interest is 8 per cent and the discount rate of the Federal reserve bank is 7 per cent. Many of the smaller banks in my State are not willing to take the risk for the difference in the rate of interest. For that reason many of our farmers are not getting accommodations in carrying their crops which they otherwise would get if the rediscount rate were made lower.

The distressing financial condition in the agricultural sections of our country, especially in the South and West, can, in my judgment, be relieved to a great extent by the Federal reserve banks reducing their rediscount rate and by resumption of the activities of the War Finance Corporation. In Georgia, my home State, many farmers have been unable to borrow money and hold their cotton for prices anything like the cost of production, and are selling it to-day at less than half what it cost to produce. The rediscount rate charged by the Federal reserve banks is 7 per cent and the legal rate of interest in Georgia is 8 per cent. With unsettled conditions, many of the Georgia banks were unwilling to loan a large amount on cotton for a profit of only 1 per cent; they claim the risk is too great.

My amendment reduces the rediscount rate of the Federal reserve banks to not exceeding 6 per cent. I would gladly make it 5 per cent, but it would meet serious opposition in the Senate, and I hope the Federal reserve banks will not exceed that amount. If they make the rediscount rates to the banks at even 6 per cent, the banks of the South would loan to the farmers the necessary money to hold their cotton for prices that would enable them to sell at a price equal to the cost of

production, and aid the farmers in selling cotton to the European countries at a fair price. The world is in greater need of cotton than ever before. There is less cotton on hand to-day, considering the needs of the world for cotton goods, than ever before in our history. The Federal reserve banks were not organized to make money, but to meet conditions that exist at this time.

Mr. SMITH of South Carolina. Mr. President, I do not intend to take any great length of time of the Senate in discussing the pending joint resolution. I think a majority of the Senators present see the necessity for the action contemplated by the proposed legislation. The situation is such that no one can be dogmatic as to what has caused the present conditions, nor can he accurately forecast the future. There are, however, some causes which have contributed to the present unfortunate situation with which we are all acquainted and which we appreciate. There are certain forces that were not in operation heretofore, even before the war, which have tended to bring about a condition which the Federal Reserve Board and other authorities thought it was their duty to correct.

I do not read very well from manuscript; I should prefer to speak in reference to this matter just as I feel about it; but in order not to allow the feelings which I have on this subject to influence what I have to say, I shall now read from manuscript some observations in reference to the causes which have brought about existing conditions.

The condition that now obtains throughout the country is not the result alone of post-war forces; perhaps in a way it is brought about in a less degree by post-war forces than by certain other influences.

Our Federal Reserve System in 1914 supplanted our old banking and currency system. It perhaps became a workable plan, or, in other words, the machinery and the principle of the Federal Reserve System got into practicable operation about 1915. It was a radical departure from the old system in that it placed in the hands of the Government the control of the banking business of this country. This necessarily gave to the Federal Reserve Board and the officers of the regional banks almost unlimited power in the control of the currency of the country, so that whatever attitude they assumed toward finance and commerce was immediately and powerfully effective throughout the Nation and the world. On account of our almost unlimited resources available, geographical position, and the combination of other fortunate circumstances, together with this new and wonderful system of banking, the main feature of which system was its elasticity and its power to mobilize or capitalize the resources of the country, we easily and rapidly became the bankers of the world. Money, gold, and credits poured into this country from Europe especially, and elsewhere, during the war in exchange for our commodities and foreign securities for our credits. The result was an unusual demand for our commodities and unusual facilities for liquifying or cashing them. Prices rose in this country to unusual points, partly because of the unusual demand caused by the war, and partly because of our new system of banking.

After the armistice was declared it was natural to suppose that there would be a readjustment, but no one ever dreamed that we had first to paralyze commerce, bankrupt agriculture and all producing and commodity handling institutions, before we should again assume the sane and normal function of business. We seem to have acted on the principle the old farmer announced when in attempting to burn out the debris that had accumulated around an old wooden rail fence he burned up the fence. He consoled himself for his loss by saying that he had a nice clean place to build a new one.

There is no justification whatever for the present condition of affairs in this country. As I see it, the causes are so manifest that one need not be surprised that we are in the condition in which we find ourselves. The causes as I see them are these:

First. The power to expand or to operate the elasticity of our currency system necessarily carries with it the power to contract. Those Government officials clothed with this power have in their hands the fate of the commerce of this country. The influence that they exercise determines in a large degree the prosperity or the depression of our commercial and industrial life. The business men, the bankers, and the financiers of this country are more or less dependent upon it and, consequently, are influenced by the action and attitude of our Government officials in charge of our exchange system. When, therefore, it was announced and reiterated that the policy of our Federal Reserve System was to deflate the currency, to restrict credits, it naturally had an immediate effect upon everyone engaged in business. Under modern conditions the close and intimate relation of every kind and character of business and commerce makes it well-nigh impossible radically to affect one without



in greater or less degree affecting every other one likewise and in like manner. Consumer and producer are not in distinct classes, but each one is both. The producer of one article is the consumer of another, and so there is no line of cleavage between the two classes. The policy thus announced was vigorously put into operation. The banks were insistently required to call certain classes of loans and the rate of rediscount was made very high. In addition to this and apparently for the purpose of carrying out the same policy, the War Finance Corporation was discontinued. This corporation was created by Congress to meet the very condition that now exists, and the amendment adopted to the original act in the latter part of the last session had a similar object in view.

It appears from the testimony of Mr. Meyer before the hearing of the Agricultural Committee on Senate joint resolution 212 that—

There were being negotiated at the time of the discontinuance of the War Finance Corporation applications involving the export of \$17,500,000 of copper, \$2,200,000 fabricating steel to Italy, \$5,000,000 "Black Patch" tobacco from Tennessee and Kentucky, \$4,000,000 cotton to Czechoslovakia from a large southern exporter, \$25,000,000 of cotton to Czechoslovakia for a group of southern bankers, \$3,000,000 for cotton to Italy by a group of bankers, \$9,000,000 cotton by a group of bankers to Italy, \$24,000,000 for the export of cotton by a syndicate of bankers headed by one of the largest national banks in the United States, \$2,400,000 by a group of bankers for coal to Italy, \$4,000,000 by a group of bankers for cotton to Italy, \$4,000,000 for ships to be bought and constructed in this country for Italy. In all \$100,000,000 in applications, promising practical results, with adequate security according to the opinion of the directors of the Finance Corporation.

He says further in reference to the above:

These are not repetitions; they are separate applications. \* \* \* In addition to these definite purposes various other negotiations are under way for further extensive loans, which, no doubt, would have materialized in large financing of exports of various kinds of American products.

Therefore it is not surprising that we find ourselves in the condition now prevalent.

Just let me take for a moment the situation as it is. There is not a Senator here who does not know that there is nothing half so sensitive as capital; money, cash, is the most timid of all the agencies used in commerce. Therefore, when by the act creating the Federal Reserve Board we made the financing of the country a Government function it goes without saying that the attitude of those having it in charge immediately affects every commercial and financial interest of the country. When the board announced its policy of contraction of credits and raised the rate of its discount, and then *pari passu* with that the War Finance Corporation was discontinued, notice was served on the public that the very center and source of the Nation's circulating medium was adverse to any further expansion of business, or at least were in favor of its contraction along such lines as they themselves deemed necessary.

With the announced policy of our banking governors to restrict credits, to deflate prices, and the chairman of the War Finance Corporation, the Secretary of the Treasury, arbitrarily discontinuing the operation of the War Finance Corporation, the whole business world was filled with apprehension, skepticism, and the effect is the condition under which we now find ourselves. It has been pointed out that during this period the credits extended have equaled to or exceeded the period of prosperity just preceding.

In the colloquy I had this morning with a number of Senators it was pointed out that in certain sections of the country credits are equal to or in excess of the credits during the period preceding deflation.

I wish to call the attention of the Senate to the fact that the trouble is our excessive bond issues. Under the law we made the bonds issued by the Government eligible to rediscount at the Federal reserve banks and to become the basis of the issuance of Federal reserve notes. At the time of the passage of that law there were less than a billion dollars of United States bonds outstanding; to-day there are approximately \$25,000,000,000 of bonds outstanding. Those who bought the bonds and received credit at the banks for carrying them were assured that they would not be charged up to the commercial accounts of those thus borrowing. Farmers, merchants, bankers, business men throughout the country took these bonds in the small banks on that assurance. Now the rate of rediscount on these bonds has been raised, and they have been transferred to the commercial accounts; and I am going to insist that the officials here give me a statement as to what per cent of the so-called loans extended to the agricultural centers of this country consists of transferring bonds to commercial accounts and what per cent consists of actual commercial credits granted for real commercial purposes.

It seems to be the policy of this Government at this time to be solicitous of and to take care of those who own bonds, while

the actual producing classes of the country, upon whom its prosperity depends, must be restricted in credit for fear of inflation of the currency through the extension of credit on the bonds. We ought fearlessly and bravely to meet that issue, and to take some action taking care of the bonds owned by those who bought them in good faith, and not have them placed against the commercial credits of this country. I understand that it has been the universal practice of the banks to transfer these bond credits to the commercial account.

I do not believe that we would have had any such condition as that now confronting us had the policy of those having these matters in charge been such as to inspire confidence rather than fear and apprehension. With practically all of the raw material of this country now at prices far below the cost of production, and some of them with no market at all, the future does not look very inviting. With the tremendous obligations of this Government to be met, and those who are to produce the material out of which the ultimate wealth of this country must come broken and bankrupt, the probabilities are that our deficit will be doubled and trebled rather than gradually diminished. The estimates of the income of the Government, based upon incomes and profits, will have to be revised; and if a sales tax should be imposed, with the purchasing power of the country at large practically destroyed, the expectations of those advocating such a tax also will be disappointing.

There has been criticism of the seeming tendency or of the actual fact of the country coming to Congress for relief in this situation. Why should it not, when by an act of Congress the control of the situation was made a Government function? I am not adversely criticizing the act of Congress that made the banking of the country practically a Government function. I consider the Federal reserve act one of the greatest pieces of constructive legislation ever passed, and I believe it is our hope now, if properly and wisely used. The world needs all the staple products that we can produce. It may not have the cash to pay, but surely the energies of these nations, the man power, the brain power, plus the material resources of the several nations, are adequate security for the extension of such credit as we may allow them to use our resources to our benefit.

The War Finance Corporation act was passed to enable us wisely and efficiently, broadly and impartially, to meet this very situation; to extend credit to our corporations upon adequate security, and to foreigners upon like security, without favoritism and without special interests being served.

As showing the attitude of the English Government with regard to this very problem, I quote from a news item to one of our news services in this country:

We have had the privilege of a confidential talk with a gentleman close to Lloyd-George and a participant in the councils of the Government, regarding the politico-commercial policy to be pursued. We report the interview substantially as follows:

"The British Government's confidential reports and figures show that other countries, previously among her best customers, are now crying for goods, and that these countries could absorb the entire maximum exportable production of the United Kingdom. Nevertheless, the dislocation of the natural relations of supply and demand has resulted in the building up of a great volume of surplus supplies in England which can not be moved. The official figures placed before the cabinet show that Great Britain is trading feebly, if at all, with nations of the white race aggregating 300,000,000 people. The Government can not run the risk of social unrest involved in a stoppage of industry and commerce. It is its first duty to assure the prosperity of its own people. It will, therefore, reopen trade with any part of the world where trade can be got, irrespective of protests.

"Conversations of an important character have taken place unofficially and informally between industrial leaders and members of the cabinet to consider concrete means for stabilizing particular industries which are threatened in the immediate future not only with severe curtailment but with actual closing down. Lack of purchasing power in foreign markets, adverse and fluctuating exchange, money stringency, exaggerated agitations against profiteering, and restriction of credit were adduced as factors which had undermined confidence."

I presume that in England the very same propaganda had been spread broadcast as in this country; that there was undue profiteering, and that there had to be a reduction of the existing currency.

Mr. KING. Mr. President, may I interrupt the Senator?

The PRESIDING OFFICER (Mr. Kirby in the chair). Does the Senator from South Carolina yield to the Senator from Utah?

Mr. SMITH of South Carolina. Yes.

Mr. KING. I hope I did not misunderstand the Senator. Does the Senator seek to convey the view that there has not been undue profiteering in the United States; that prices have not been maintained at too high a level?

Before the Senator answers that, may I suggest to him that contrary to what one might expect, when the armistice was signed, instead of prices going down gradually and steadily and persistently until they reached a proper level there was a



slight sagging and then a rise, and that rise continued until quite recently, as a result of which, it seems to me, the prices everywhere in commodities and perhaps in labor were entirely too high, and were abnormal. Does the Senator seek to convey the idea that there ought not to have been a reduction in commodity prices and in prices generally in the United States following the war?

Mr. SMITH of South Carolina. I answer the Senator by saying that I think the reduction in prices should have been governed by the law of supply and demand, and that it was no part of a governmental function to go out and state that prices must come down. That was for the business world to do. Especially was that unfortunate when the Government at that time had the machinery conveyed to it by law by which it could enforce radically, and as the result shows disastrously, its decrees.

Answering specifically the Senator's question about profiteering, I think there was and always will be profiteering, but I think that the cry against profiteering in this country was largely exaggerated. I will explain what I mean by saying that the little bootblack got 15 cents for shining a pair of shoes when heretofore he had gotten 5 cents; so that from the bootblack to the highest commercial interest there was a tremendous rise in the price, and a larger volume of currency was necessary to liquidate it. The very genius of the Federal Reserve System was that when there was a vast amount of commodities in this country there would be an adequate circulating medium to represent them, and not the old, rigid, inflexible rule of 1863. That would have enhanced values had it been allowed to operate as we who passed the law thought it would operate. That, in conjunction with war conditions, did inflate prices; but prices would have been deflated by the very course of trade without making the world believe that the Government had set its face against a further continuance, right or wrong, of these conditions; because, as I said before, you could not pick out certain businesses and refuse credit to them without destroying the whole commercial structure.

We have a law against cornering; we have a law against undue restraint of trade; and that was sufficient without the fear that was cast into the hearts of the world at large by the radical procedure of raising the rate of discount and denying credit, and creating the sentiment of fear and apprehension. I think the War Finance Corporation was one of the most splendidly conceived ideas, in that it supplemented the Federal Reserve System by looking after the kinds of paper, foreign and domestic, that might be received and discounted, and doing it impartially as a governmental function and an aid to corporations that otherwise might not be able to get it, enabling them to do business and create healthful competition.

Mr. KING. Mr. President, if the Senator will still pardon me—

The PRESIDING OFFICER. Does the Senator from South Carolina further yield to the Senator from Utah?

Mr. SMITH of South Carolina. I do.

Mr. KING. I venture to suggest to the Senator the fact that for months following the armistice, more particularly during the latter part of 1919 and the beginning of 1920, not only in both branches of Congress but throughout the United States, there was a persistent demand that prices should fall, and appeals were made to Congress for legislation that would call for a fall in prices. The Senator will recall that the President of the United States communicated with Congress, and suggested certain remedies which should be adopted for the purpose of bringing down prices to a proper level, and Congress was very much interested in that; and, as I recall, numerous hearings were ordered either in this branch or in the other branch for the purpose of determining what legislation should be enacted in order to bring prices down.

I do not think there has been any deflation. As a matter of fact, the Senator, I am sure, knows that the amount of paper rediscounted by the Federal reserve banks has been very much greater in 1920 than in 1919; and the Senator knows that hundreds of millions of dollars have gone into new enterprises—indeed, that the list of incorporations of new enterprises in 1920 has scarcely been exceeded in the history of the United States.

Mr. SMITH of South Carolina. Oh, Mr. President, I do not know that I shall accede to the statement that more loans have been extended and more paper rediscounted. That is a proposition that it would take more time than I would care to consume this afternoon in going over, and in referring to this very bond proposition to which I have called the attention of the Senate. In my own time I am going to lay before the Congress the facts as to what per cent of the so-called loans extended consists in commercializing these bond loans, rather than in letting them stand on their own bottom.

This quotation continues:

It was brought out that a congestion of goods has blocked the flow of trade, and that the situation was so serious that some of the oldest and strongest merchandising firms in London will find it difficult to meet their obligations unless given relief. It was decided in the conferences that the clot of goods must be removed. The general solution proposed was to ship these goods to countries which have an exportable surplus of raw materials, but which require credit and organization such as can not be supplied adequately by private firms, but which could be dealt with if the Government enthusiastically assisted associations of business men. It was urged that the Treasury officials had assumed an obstructionary attitude toward the British export credit scheme. It was decided that this attitude must be changed at once. The crisis in all its phases was presented to Sir Robert Horne, president of the board of trade, who will set the pace for the other Government departments. The administration in liberal terms of money of credits already voted by Parliament for meeting exactly just such a position will be pushed forward without great delay. It is regarded as reproductive expenditure in the national interest, and bold policies on broad lines may be expected.

The last and closing paragraph of this seems to me should be the attitude of those who have the welfare of this country at heart. It is as follows:

The theory animating the whole process will be that a pound of sterling spent abroad in creating conditions to rehabilitate exchange of goods and to restore the economic balance of nations will be worth 10 pounds of sterling spent in the United Kingdom.

Mr. SIMMONS. From what was the Senator reading?

Mr. SMITH of South Carolina. I was reading from a communication sent to this country by one closely associated with Lloyd-George and the Parliament of Great Britain, showing the policy of that country in regard to the present crisis, which seems to be similar to that in this country.

Mr. President, whatever else may be said, this fact stands out paramount, that the attitude of our governmental officials has gone further than I believe it should go. They started an avalanche which they are unable to check, and Congress alone has the power to restore confidence to the American people, by showing that they are in sympathy with any move which will look toward aiding them in getting their exports abroad, and at least receiving the cost of production in this country.

Talk about there not being money! We financed a \$26,000,000,000 war in order to save our country from being ruined by the influx of an alien foe; yet, when the war is over, with our resources practically untouched, with our recuperative power unimpaired, with the development of our country still as potential as ever, we are confronted with the statement that we are powerless to even capitalize or even aid those who are not only to spell the prosperity of this country, but upon whom the prosperity of the world largely depends.

Wealth is not money; credit is an evidence of confidence, and real wealth is no more money than a biscuit is a gold dollar. We have destroyed the confidence of the people and of the commercial and the financial world, and what we should do here in this body is to give voice to the sentiment that to the fullest extremity this Government will come to the rescue of those who produce the raw material, who by the very nature of the case are the first to suffer.

We do not even retard the operation of a natural law by any artificial laws we may pass, and things will move along the line of least resistance in every department of the universe, and the first to feel the effects of these restrictions of credit and these demands that there be a contraction of the currency was the man who had no resources, but had the commodity which the other could realize out of, and the consequence has been that cattle and sheep and hogs, farm products in every form, have fallen below the cost of production, and the farmer left helpless and alone. We seem to have forgotten that he made his crop at the peak of prices, and that his only way to recoup is to get out of the sale of this present crop at least the cost of production. He has no other way to recoup himself. Every other business has some manner by which it can recoup its losses by sale; but the farmer, when he has made his crop, has in it the investment of the high-priced material that he made it with, and when he sells it at a loss, it is gone forever. It is for that class that I am standing here to-day and pleading, for the man whose crop is still to be sold, the man who is now obtaining a price that would not give him anything like the cost of production.

The second part of this joint resolution, as pointed out here by the Senator from Mississippi [Mr. HARRISON], was to call attention to the fact that the agricultural classes of this country, under the governmental function of the Federal Reserve Board, should be granted a lower rate of interest on properly executed agricultural paper than any other class of our commercial life, because upon them depends, in the last analysis, the ultimate success of every other business in this country.

I do not believe there should be a modification of section 2, but I would not object if the desire of those who wish it were

carried out; but, so far as the intent and purpose of it is concerned, it is as essential as section 1, to serve notice on the Federal Reserve Board that the people of this country recognize that agriculture is in a class to itself and more helpless than others, and that therefore they should have a preferential rate, in order to feed and clothe the masses of this country and aid in feeding and clothing the starving nations of Europe. I believe it would be a good business policy and a piece of good statesmanship if we should furnish them money to run their business without interest at all, because enough interest would be made out of the manufactured proceeds of what they produce to more than repay the country, and I hope, Mr. President, that both these provisions of this joint resolution will pass.

It is very easy for us to sit off at a long distance and talk about the farmer being independent, and talk about him taking along with other people his losses. There is not another business in America to-day, practically speaking, that is not organized to protect itself, except the farming classes of America. And whether you will have it so or not, Congress is the only organization the farmer can now look to for a fair and square deal in protecting him from the encroachments of organized power, and that is the reason these two amendments are here.

Mr. SIMMONS. Mr. President, I am pleased to note the strong expressions of approval on the part of Senators of the purpose of this resolution. Its passage will bring about what I, with certain other Senators, sought to accomplish last summer, and will, I hope and believe, help the farmers of the country to protect themselves in some measure at least against further losses from the condition it seeks to remedy.

I do not share the doubts entertained by some as to the effectiveness of the revival of the War Finance Corporation for the purposes expressed in the resolution as a means of mitigating the agricultural situation, nor do I share the apprehension likewise expressed that its revival will involve the withdrawal of large sums from the Treasury needed to meet the obligations of the Government. In support of these doubts and apprehensions it is said that the only fund that will be practically available to the corporation, if revived, is the \$375,000,000 now standing to its credit on the books of the Treasury, and as to this fund it is claimed that while its withdrawal for this purpose at the present time would be embarrassing to the Treasury the amount would be inadequate to accomplish any substantial relief.

It is also argued that the comparatively small amount loaned by this corporation during the war, when operating under its war powers, to banks on advances made by them to industries whose operations were necessary or contributory to the war shows it was not a potential factor in accomplishing its original purpose. Again, it is alleged that the even smaller amounts loaned by it to finance our exports under the amendment to the original act of March 3, 1919, was of little assistance in promoting and facilitating these exportations.

In my judgment, none of these several contentions are justified by the facts. Let me briefly review the situation with respect to these several matters:

When this Government-owned corporation was created the war industries it was intended to aid were having serious difficulty in getting advances, either from banks or from private investors, because they feared in the conditions then existing they would be unable to rediscount their paper.

But when this corporation was organized for the purpose of financing these very industries with the Government practically behind it, with a paid-in capital of \$500,000,000, all subscribed and owned by the Government, and with a potential loaning power of \$3,000,000,000, these apprehensions were removed, and the resulting confidence produced a situation with respect to credits which made resort to the War Finance Corporation unnecessary, and as a result of this psychological effect the corporation was called on but to a limited extent for help.

Again, shortly after the armistice, we were suddenly confronted by a serious situation in our foreign trade on account of the unsettled conditions in Europe. Exportations of our products to those countries was arrested because of the inability of the banks and private investors to extend the credit needed to enable these countries to buy our products. To meet this situation, on March 3, 1919, we amended the act creating this corporation, and it was authorized to extend credit to banks making loans to finance exportations. The psychological effect in this instance, as in the other instance I have just referred to, was the same. It inspired confidence in investment in securities based upon bank advances on exports and it was again found unnecessary to resort to the corporation for any great amount of credit.

The same thing happened shortly after the beginning of the European war, when, on account of the temporary embargo upon exportations of our agricultural products, the price of these products fell until there was practically no market for many of them. This was especially true with reference to cotton. There was practically no buyers on the market for it. Cotton fell to 5 cents. That meant there ceased to be a market for cotton in this country. That, of course, created a situation in the South both grave and menacing. To meet this emergency and avert this threatened disaster the Secretary of the Treasury, Mr. McAdoo, announced that he was prepared to deposit \$500,000,000 by way of deposit in the banks of the South and the West, if necessary, to protect the cotton and wheat growers, not to withhold these products from the market but hold them until there was a market for them. The effect of this action of Secretary McAdoo was electrical. Banks and the private investors came at once to the relief of the farmers, and, as I recall it, it was not necessary for the Secretary to deposit but a very limited amount—about fifty millions of the sum mentioned—for the purpose of protecting the farmers in these sections from threatened ruin.

Mr. President, until about the middle of May of this year, when the Secretary of the Treasury, Mr. Houston, suspended the operation of this corporation under the amendment of March 3, 1919, we were having no serious difficulty about financing our exports, and the business of the country was moving smoothly. Shortly after this corporation ceased to function business and credit conditions began gradually to become unsettled and unsatisfactory, and conditions grew rapidly worse when in September the Federal Reserve Board promulgated certain suggestions to reserve and member banks intended to bring about deflation and restrictions in credits. Mr. President, as a result of the present financial and credit situation the farmers are threatened with ruin largely because of financial and export conditions practically the same as existed at the time the adoption on March 3, 1919, of the amendment to the finance corporation when McAdoo came to their assistance in 1914. Early in September the Secretary of the Treasury was appealed to to revive this corporation that it might function in the emergency then so ominously threatening to bankrupt the farmers of the South.

It was urged in this behalf that the crops were just beginning to move and that it was of the utmost importance that the channels of foreign trade in these products should be kept open. At the same time a relaxation in the restrictions on credits was urged upon both the Secretary of the Treasury and the Reserve Board. Now, Mr. President, the farmers of the country believe that if the War Finance Corporation had then been rehabilitated and the stringent rules of credit had then been modified in behalf of loans made to enable them to have protected themselves temporarily until market conditions could be stabilized, while there doubtless would have been substantial reductions in the price of farm products, the disastrous slump which followed his refusal would have been avoided.

The present distressing situation of the farmers does not affect agriculture alone. It affects practically every other industry in the country. It is estimated that as a result of these conditions our farming population has suffered a loss in purchasing power aggregating between six and eight billion dollars as compared with last year. It is impossible that this condition should not affect those engaged in other industries. Every man engaged in making and selling goods and wares will of necessity feel the effect. If the farmer is ruined, the manufacturer, the merchant, the wholesaler, the jobber, and the laborer will have in the end to bear their share of the general depression which will follow. For a time they may minimize or ward off the blow, but it will inevitably come.

Those of us who are advocating this measure believe that the rehabilitation of the War Finance Corporation, thus affording the farmers of this country a credit to which they can resort of one and a half billion of dollars and a reasonable modification of the credit policy of the reserve banks in behalf of agricultural products, will materially help in the present situation. If this legislation was intended or calculated to help the farmers alone or to help them to the injury of some other industry or interest, it might be open to the charge that it is class legislation, but it is not and does not. It is not class legislation to help the farming industry, because this legislation in helping this basic industry to protect itself against ruin and keep on its feet will at the same time help to relieve the universal depression in every line of business which in a large part has been brought about by the overwhelming misfortune which has befallen our agricultural population and the disaster which is certain to befall every industry if help is not promptly



extended to the producers of the raw material essential to the other great industries of the country.

Mr. President, I wish to address myself for a few minutes to the suggestion and argument urged here and elsewhere that the rehabilitation of the War Finance Corporation will mean the withdrawal, greatly to the embarrassment of the Treasury, of large sums of money on deposit in that institution of the Government to its credit. I do not believe there is anything in this contention, because I do not believe it will be necessary for that corporation, if reestablished, except for a very short period in the beginning of its operations, to withdraw from the Treasury any considerable amount of the \$385,000,000 now to its credit. Of course, I know it would be inconvenient, not to say somewhat embarrassing, at this time to have that amount of its funds now available to meet current expenses of the Government withdrawn for other purposes. I realize that.

But, as I have said, I have no idea that that will be necessary, and I am confident whatever part of it may have to be temporarily withdrawn will be returned as soon as the corporation can get its machinery in active operation again and place its bonds on the market.

There will, I think, be no difficulty now, as there was none when it heretofore offered them, in selling the bonds of this corporation. It is a corporation every dollar of the capital stock of which is owned by the Government, and while the Government is not legally liable, there is a general feeling that the Government is morally bound, and therefore would not allow any holder of its securities to suffer loss. This corporation, if revived, will, under the amendment of March 3, 1919, have authority to issue bonds to the amount of a billion dollars. Mr. Meyer, the able former managing director of this corporation, in his statement before the Agricultural Committee, said it sold while in operation about \$200,000,000 of its bonds without serious trouble, and predicted an easy market for them now. But it is said that bonds may not sell so easily now as then. Mr. President, if not, why not? Certainly not because of any lack of available money, for there never was as much money in the United States for investment in safe securities as there is today. It may not be in circulation, unfortunately, but it is here in even larger quantity than last year, when everybody's pockets were bulging with money and our enormous excess of exports has increased the amount then in pocket. The funds available from the sale of these would make this corporation abundantly able, in cooperation with the Edge law export corporations recently authorized and that now are being formed in the different sections of the country, to finance the situation we have now under consideration.

Mr. President, without reference to the cause of the trouble I think no one acquainted with the facts will deny the serious plight in which the agricultural classes to-day find themselves.

Bad as it undoubtedly is in the grain and live-stock producing sections it is even, as I have before intimated, worse in the cotton and tobacco growing States of the South. Indeed it would be difficult to overstate the seriousness of the situation which confronts the farmers of these States.

Such part of their crops as they have by force of circumstances already been compelled to sell, has brought less than one-half the cost of production and in many cases less than the cost of the fertilizer used in their production, and if they are forced to sell the balance for prices now obtaining the part unsold will likewise fall far below the cost of production.

The tenant classes, and they are numerous, who raise their crops largely under mortgage or lien, have in most instances had to turn over their whole crops to the fertilizer and supply men and are left practically without anything to start upon the next crop. The landlord, who generally indorses the obligations of his tenants for fertilizer and supplies, in many instances finds the liability thus incurred exceeds his rents. It can not be said in any true sense that there is or has been during this fall a market in the South for either tobacco or cotton. The extreme money stringency which has prevailed there since early in September has driven from the markets to a great extent the local or so-called independent buyers who have heretofore bought and exported largely of these products, thus maintaining competitive conditions and stabilizing the market.

Whatever the cause of these conditions and whoever may be responsible for them, I think it will be admitted they lend themselves to the exploitation of the speculator and make easy the monopolization of the market, if it may be called a market, for the product by a few great exporting and industrial corporations backed by unlimited money and credit, who deal in these raw commodities, and invites a drive to capture the crops of this great section of our country at starvation prices.

Let those who fear if money is loaned the farmers on their cotton they will hold it from the market for higher prices to

the injury of the consumer not overlook the fact that those who are now buying it for half cost are much more likely in due time by the same process to exploit the consumer to a much greater extent than the farmer could.

The PRESIDING OFFICER (Mr. DIAL in the chair). The question is on the amendment offered by the Senator from Georgia [Mr. HARRIS].

Mr. THOMAS obtained the floor.

Mr. SPENCER. Will the Senator from Colorado allow me to present at this time a proposed amendment to the joint resolution?

Mr. THOMAS. I yield for that purpose.

Mr. SPENCER. I send to the desk a proposed amendment in the nature of a substitute for the pending joint resolution, which at the proper time I shall move.

The amendment intended to be proposed by Mr. SPENCER is to strike out all after the resolving clause and insert:

That in the judgment of the Congress the War Finance Corporation should resume its operations.

SEC. 2. That the Federal Reserve Board should fully cooperate in such renewed activities of the War Finance Corporation.

Mr. THOMAS. Mr. President, the address of the Senator from North Carolina [Mr. SIMMONS] indicates the excitement under which the Senate, in common with the country, is now laboring. It will explain, and possibly excuse, the speed with which the pending joint resolution has been reported out of the committee and laid before the Senate for immediate consideration. It discloses a state of mind almost hysterical in character, under the influence of which we propose to legislate in the direction indicated by would-be beneficiaries and take chances upon a successful issue. We are not dispassionately considering a very important proposal by giving it that careful and exhaustive investigation which should precede any measure designed to bring the Government to the financial aid of a portion of its people at the expense of the remainder.

At the last session of the present Congress the question of the high cost of living constituted one of our great problems, and each political party was casting or attempting to cast upon the other the responsibility for its existence. For a period long anterior to the commencement of the German war the country was confronted with a continued and progressive rise in prices, under the operation of which the great majority of the American people were suffering and some of them intensely. Those living upon fixed incomes, upon salaries, and upon wages found it difficult to meet the requirements which these prices imposed upon the necessities of life, and their suffering was almost universal. They erroneously held the Government responsible for these conditions and clamored for relief, a clamor to which we quite as erroneously responded, sometimes by the enactment of legislation aimed at its consequences instead of its causes.

Some of us thought that these inflated price conditions could not continue. Some of us warned the country from this floor that the reaction would come, inevitably, and with it a period of suffering, and possibly of disaster. We were justified in this attitude by the history of other nations and of other crises. We called attention to the operation of a law as inexorable as the law of gravitation, and to the folly of avoiding or repealing that law by human statutes. We realized that the evil was a great one. In discussion the cause of it was frequently, perhaps I may say generally, ascribed to the speculators and the profiteers, to the cornering of the market, and sometimes to the destruction of necessities in order that the supply might not overcome the demand.

During the campaign the Republican Party charged the Democratic Party with responsibility for the high cost of living, and seem to have proven their case pretty effectually, if one may judge from the ultimate result. The Democrats countered by the same process of crimination and recrimination, but all contended against the evil. Inasmuch as the Republican platform has been confirmed by the popular verdict, I may refer to it:

The prime cause of the "high cost of living" has been first and foremost a 50 per cent depreciation in the purchasing power of the dollar, due to a gross expansion of our currency and credit. Reduced production, burdensome taxation, swollen profits, and the increased demand for goods arising from a fictitious but enlarged buying power have been contributing causes in a greater or less degree.

That is but another way of saying that the high cost of living was due to inflation, and of course it was more largely due to that condition than to any other.

Then follows a condemnation of—

The unsound fiscal policies of the Democratic administration, which have brought these things to pass, and their attempts to impute the consequences to minor and secondary causes. Much of the injury wrought is irreparable. There is no short way out, and we decline to deceive the people with vain promises or quack remedies. But as the political party that throughout its history has stood for honest money and sound finance, we pledge ourselves to earnest and consistent attack

upon the high cost of living by rigorous avoidance of further inflation in our Government borrowing, by courageous and intelligent deflation of overexpanded credit and currency, by encouragement of heightened production of goods and services, by prevention of unreasonable profits, by exercise of public economy and stimulation of private thrift, and by revision of war-imposed taxes unsuited to peace-time economy.

Mr. McLEAN. Mr. President, which platform is that?

Mr. THOMAS. This is the Republican platform.

Mr. McLEAN. The other is very much the same.

Mr. THOMAS. Oh, yes. The only difference is that each seeks to "pass the buck" to the other as regards the responsibility for these conditions.

Mr. SMITH of South Carolina. So far as the buck will pass.

Mr. THOMAS. Yes.

Then follows a condemnation by the Republican Party of the Democratic Party for "failure impartially to enforce the antiprofitteering laws," to which the Democrats counter by pledging the party to—

a policy of strict economy in Government expenditures and to the enactment and enforcement of such legislation as may be required to bring profiteers before the bar of criminal justice.

The same old cry, so far as strict economy is concerned, on the part of both parties. It is remarkable that the people have stood the repetition of that rot so long. There is no intention, no desire, no purpose on the part of either of the great parties to practice economy, and the people would not let them do so if they attempted it.

Mr. SMITH of South Carolina. Mr. President, if the Senator will allow me, in 1909 and 1910, I believe, I served on a committee investigating the high cost of living—even at that time.

Mr. THOMAS. Oh, as I stated at the opening, the high cost of living has been a problem growing out of a condition that began to manifest itself long before 1909, due very largely to inflation, as represented by our constantly increasing indebtedness—I mean State indebtedness, public-utility indebtedness, and municipal indebtedness—and also by an extension of the activities of the Government, requiring added revenue, and consequently added sources of revenue, for the National Treasury.

Mr. President, in the discussion of this subject—that is to say, the high cost of living—which used to come up here every morning, we were substantially agreed that inflation must cease before high prices would disappear or even dwindle, and we were also agreed that production on one hand and thrift upon the other were the essentials to this change, and we also advised the public not to buy when they could help it. I had the honor to make a speech upon that subject, I think last April, which attracted some attention throughout the country, and which succeeded the so-called overalls program, aimed at this identical condition, and as a protest against the price of clothing. It seems that the people to a far greater degree than we supposed have followed the advice thus given, so that a decline in the retail business of the country soon became apparent. It may be that instead of following this counsel the purchasing power of the consumer has reached its climax; but, at any rate, the change came, and about that time came the collapse in Japan, where the identical preceding conditions had been in operation until the commerce and the buying power of the people could stand it no longer, whereupon the banks were obliged to curtail credit, the huge structures of speculative business collapsed, and that great empire found itself in the throes of a panic. Again the warning was sounded in this country by its thoughtful and experienced people, who perceived in this the beginning of the change soon to occur in our very midst.

About this time the Federal Reserve Board raised the rate of discount, if my memory serves me correctly; and, with all due respect to the opinions of Senators differing from me here, I think the only mistake made by that board was in postponing such action so long. If this new system of banking is to function as it was designed to function, then it must exercise its power to raise the rate of discount for the purpose of preventing speculation and reducing credits, just as it is expected to relax that policy by a reduction of the rate of discount when more money is needed and greater credit should be extended; and, in my judgment, no man familiar with the condition of affairs in this country from the armistice up to that time can successfully deny the proposition that our credits, both public and private, had swollen almost beyond endurance.

Mr. SMITH of South Carolina. Mr. President, will the Senator allow me to ask him a question in reference to the raising of the rate of rediscount?

Mr. THOMAS. Certainly.

Mr. SMITH of South Carolina. Does not the Senator think that raising the rate of discount is almost a useless method of seeking to discourage speculation? Is it not true that you intensify speculation, because the speculator rarely pays very

much attention to the rate of discount he pays, providing he can get the wherewithal to make his venture, while the real business man is discouraged from investing at the high rate of discount?

Mr. THOMAS. Mr. President, the speculator flourishes in times of inflation. He is as much the natural product of an inflated credit condition—which, of course, means high prices—as maggots are the product of a decaying carcass. The speculator is not the cause, but the consequence, of this plethoric condition of credit and of finance.

I agree that the mere act of increasing the discount rate does not put a stop to speculation; but I was about to say when the Senator interrupted that the Federal Reserve Board did more than that. It caused intimations to be made whereby the lending of call money for speculative purposes upon the exchanges in New York and other cities was for the time being terminated. I wish there were some way of prohibiting entirely the making of loans for those purposes. I do not know that there can be; but the remarkable feature of this measure, and of the days that have elapsed since this session of Congress began, is that we seem to have reversed our processes, and instead of denouncing the high cost of living we now propose to mobilize the assets of the Nation for the purpose of prolonging its dominion.

Mr. SMITH of South Carolina. If the condition now is worse than the other, why not go back?

Mr. THOMAS. The condition now here may be worse than the other.

Mr. SMITH of South Carolina. It seems so to me.

Mr. THOMAS. But it is as absolutely unavoidable—

Mr. SMITH of South Carolina. Why unavoidable?

Mr. THOMAS. It is as absolutely unavoidable as is the penalty that comes always to man for the violation of a fundamental law. I have heard a number of causes ascribed for this unfortunate condition. The Senator from South Carolina ascribed it to the action and policy of the Federal Reserve Board. The Senator from North Carolina [Mr. SIMMONS] sees a huge financial conspiracy, which has culminated, or is about to culminate, in the destruction of an essential class of a great national community.

We can easily determine the cause, Mr. President, by a review, however hasty, of the action of economic laws in other times under similar conditions, and I affirm that there has never been a period in the history of civilization in which great periods of inflation and speculation have not inevitably brought about panics, depression, suffering, disaster, and despair. If Senators familiar with history can place their fingers upon a solitary exception to this sequence of cause and effect, I will confess that I might be mistaken. I have not been able to find one, and I have been curious enough to read economic history from the days of the feudal system.

The wars of the Spanish Succession, away back in the first part of the eighteenth century, in the prosecution of which Great Britain contracted an enormous debt, for that period—a debt, by the way, which she has not yet paid and which she never will pay—brought this statement from the Craftsman, published in London, in 1736, some time after the return of peace:

The vast load of debt under which the nation still groans is the source of all those calamities and gloomy prospects of which we have so much to complain. To this has been owing that multiplicity of burdensome taxes which have more than doubled the price of the common necessities of life within a few years, and thereby distressed the poor laborer and manufacturer, disabled the farmer to pay his rent, and put even the gentleman of plentiful estate under the greatest difficulties to make a proper provision for his family.

The student familiar with Allison's History of Europe need not be told of the consequences of inflation caused by the Napoleonic wars. They paralleled this situation, and, what is worse, they were accompanied, which I trust will not be the case here, by bread riots, insurrections, and other revolts against authority and against social and economic conditions, by those suffering from their consequences. The result of the Franco-Prussian War, not quite so extreme, was of similar character, and we, Mr. President, after our vast expenditures in the Civil War in the early sixties, had our period of inflation, both of prices and of speculation, followed by an effort at deflation shortly after which came the terrible panic of 1873, a panic which reduced the agricultural classes to the lowest depths of dependence and poverty; a panic which closed hundreds of banking institutions; a panic which placed a pall upon our manufacturing industries from which they did not recover until 1879; a panic whose immediate and disastrous consequences extended through four or five long years of discipline and of suffering.

We discovered by bitter experience that the way of extrication from the morass was to work and save and do what we



could to rescue as much as possible from the disaster of the wreck. Dependent upon that self-reliance and confidence in the individual which is the glory of the Anglo-Saxon, we retrieved our fortunes and regained our normal prosperity.

Mr. FLETCHER. The Senator will not forget the Black Friday of 1869?

Mr. THOMAS. No. That preceded the panic of 1873. That was one of the dire consequences not only of inflation, but of speculation, and was the result of an effort to secure a corner in gold, which commanded a premium, and the use of which in our foreign exchanges and for the payment of our national obligations was absolutely essential.

But the panic of 1893 followed the wildest days of speculation and inflation I have ever known, chiefly in real estate, throughout the country. I know everything east of Denver on the plains was laid out in town lots until we met a similar extension from Kansas City, and it is said that a would-be purchaser was shown some lots by a Kansas City real estate dealer during that period, which he declined to buy, and came to Denver to look for a better bargain. His Denver real estate dealer took him out and showed him the identical lots, which seemed to form part of an addition to both of those great cities.

From 1887—and there was a little flurry then—to 1893 we indulged in an orgy of development and of speculation and of inflation. Then came the harvest of suffering and of tears which paralyzed the business energies of this country for several years afterwards.

Talk about the farmer—in our section of the country it wiped him almost from the map.

Mr. SMITH of South Carolina. It always does.

Mr. THOMAS. The story is told that in 1894 an old farmer concluded to sell his 160 acres if he could find anybody who was fool enough to buy it, so one day he met a tenderfoot with a pony, and he asked this fellow who had the pony if he would trade his pony for some real estate. He said he would. So the farmer offered him 80 acres for his pony, and when the deed was drawn he found the fellow could not read, so he just rung in the whole 160 acres on him, and thus got rid of his encumbrance entirely.

Now we are face to face with an identical situation, and we are confronted by a resolution designed to overcome it containing a preamble reciting that this is "unprecedented and unparalleled." There are plenty of precedents and plenty of parallels, and there always will be so long as man is foolish enough to pay no heed to the signposts of history and the teachings of economic law, which we can no more violate with impunity than we can the laws of gravitation, or the laws of the tides, or any other of those great and immutable rules by which nature and economics are governed.

I think, Mr. President, that one result of this measure, which is bound to pass, will be to penalize the thrift we have been preaching, by taking away what we have been able to save during this period of high prices, and turning it over to those who have been unmindful of conditions, not alone the agriculturists, but others who are just as much entitled to the guardianship and protection of the United States as any others of its citizens, if that be one of its functions.

Mr. SMITH of South Carolina. The Steel Trust, for instance.

Mr. THOMAS. No, not the Steel Trust; yet I may say that if we are going into the business of indemnifying losses, we can not particularize between citizens, no matter how far apart they may be in the matter of earthly possessions.

But I call to mind the fact, Mr. President, that there are in this country a vast number of manufacturers with immense quantities of goods on their hands that cost infinitely more than the price of production, who are to-day facing bankruptcy, which is bound to overtake a great many of them; and I contend that those people are just as much entitled to the overlordship of the Government as are the farmers and the raisers of other products, because their work, although not as essential, of course, to our physical existence, is as essential to our modern civilization as any other pursuits. What are you to do with these 2,000,000 men who are out of employment because of the shutting down of these places, due to the lack of orders? Do you tell me that a man who has a family and who depends upon his everyday work for their support, and who is thrown out of employment is not also entitled to Government protection, if we are to extend it as is proposed here? Where will you dare to draw the line?

Mr. President, if I had time I might run the whole gamut of society, and I think demonstrate that when the Government goes into the business of paternalism it can play no favorites. If it does, it is bound to have trouble, and ought to have trouble, upon its hands.

What do we propose to do here? First, to revive the activities of the War Finance Corporation, "and that said corporation be at once rehabilitated with the view of assisting in the financing of the exportation of agricultural products to foreign markets."

I think I would support that, not because I believe it will prove to be the remedy desired, but because I have the very highest opinion of the ability and business efficiency of Mr. Eugene Meyer. I have great confidence in his judgment as to what can be accomplished by the revival of this institution. I am sorry that Mr. Meyer in his testimony referred, in a somewhat undignified and unjust way, to the statements of the Secretary of the Treasury, who in my judgment is an honest, conscientious, capable, and patriotic official, a man who has done and who will continue to do his duty as he sees it; who does not pretend to infallibility, but who is entitled to that respect and that consideration to which every honest man is entitled in official life, no matter what his politics may be. But I do not believe, Mr. President, that this experiment will greatly relieve the situation.

In the first place, the United States must borrow \$380,000,000 or its equivalent, and that at a time when it is itself faced, according to the statement of the Senator from North Dakota [Mr. McCUMBER] yesterday, with a deficit of one and three-quarter billions of dollars on the 30th day of next June.

I say it must borrow it, because it appears from the statement of the Secretary of the Treasury that this sum, at the time the activities of the War Finance Corporation were suspended—and that is also sustained by the statement of Mr. Meyer—was transferred to another fund, and I think credited upon the national debt. Now, if a banking institution has a capital of \$380,000,000, which capital is hypothecated, we will say, or removed or changed or diverted or converted to some other purpose, it is exhausted, and the only way to restore it is to restore it. I do not know how that can be done except by using the credit of the United States for raising that amount of money on bonds. I do not care what you call it, it must be money or its equivalent, and if this disaster is so enormous, and I have no doubt it is, pray tell me to what extent this borrowed \$380,000,000 will go toward the process of resuscitation?

Do not forget now that the agricultural interest is only one of many that are clamoring here for relief. Even the Senator from Utah [Mr. SMOOT], usually cool-headed and retaining his presence of mind, is hysterical enough to tell us that the wool industry will perish unless we place an embargo upon the importation of all other wool. That industry is coming here for relief. So is the live-stock industry, and these will be followed in their train by a multitude of others, using this precedent and invoking the agency of the War Finance Corporation for its preservation.

Why, this \$380,000,000 will be so relatively insignificant that I venture to predict that before the winter is over we will be called upon to supplement it several times over. It is a pretty big job, even for the United States Government, to take care of the personal fortunes, amend the commercial casualties, repair the business and productive failures of 105,000,000 people, and especially when it is itself so overburdened with debt that it is almost as bad off as those it would seek to relieve.

There is no one here, and by that I mean no one at present appearing in Washington, lobbyist or otherwise, who seems to have much concern about poor old Uncle Sam. I read a statement in the Literary Digest a little while ago that there are 125 lobbies in Washington. President Wilson got after what he called an insidious lobby in 1914 and cleaned it up, as he thought; but that seems to have been merely the prolific parent of a brood of lobbies, representing races, business pursuits, social, philanthropic, economic, and other activities, all of them clamoring for Uncle Sam's money and assistance, and none of them particular about the consequences of their success to the Federal Treasury.

I do not know what the result will be, but if when we add to our deficiency and to the capital of the War Finance Corporation \$2,450,000,000 which the House has voted for a bonus and which is to be pressed upon the consideration of the Senate, thus creating, if it passes—and it will pass if a roll call is demanded; I will gamble my soul on that—that much more debt to be added to this poor old gentleman's ever-increasing burdens, where is he to get all the money needed for the War Finance Corporation? The Senator from North Carolina [Mr. SIMMONS] says there is more money in the country than ever before, and that is true; but the Senator from South Carolina [Mr. SMITH] says it is the biggest coward in the world, that there is nothing so timid as capital.

Mr. SMITH of South Carolina. That is true.



Mr. THOMAS. It is true sometimes; sometimes there is nothing more reckless. It is either one or the other; it goes from one extreme to the other. But none of it is liable to be invested where a reasonable certainty of a fair profit is not in sight. We can stretch the credit even of the Government of the United States until it snaps, and we are making a good start in that direction.

What the next Congress will do I do not know, and for what it does do I shall not be responsible, thank God, even in part. I have no doubt that it will enact a tariff law that will make poor old Aldrich green with envy, if indeed he does not turn in his grave. I have not a doubt that everything will be protected that is not embargoed, and between the embargo and the prohibitive tariff we will then enter upon a career of international trade and exchange in which we will sell to the rest of the world and let them do the buying among themselves.

That reminds me, Mr. President, just here of the testimony of Mr. Scroyer, a very estimable farmer from Nebraska, who, it seems, has been a Democrat, but now is a Republican, because he wants a tariff on corn and wheat and everything that the farmer produces. Speaking of his surplus, on page 9 he says:

We want immediate export. If you want to make provisions for a relief, we want the Federal land banks restored. We had that, and that gave some relief.

Then again he demands exports. He wants an export of his surplus and demands it at once. In other words, this gentleman represents a prevailing idea that we can penalize the products of other countries without at all affecting the sale of our products to them. We are going to put an embargo upon wool—there is no doubt about that, I think—and I have received letters, and I have no doubt others have, demanding embargoes upon other things, upon the principle that if it is good to embargo wool it is good to embargo other commodities, and so it is.

How are we to find a market for our surplus with the countries upon which these embargoes are to operate? Human nature—and I think even President Wilson is convinced of it now—is about the same at all times and in all countries. Other nations will inevitably apply laws of retaliation to American commerce, and ought to, in consequence of which, while our wall may be very high for them it will be too high for ourselves, and the exports which this very intelligent and estimable gentleman wants so badly and which I concede that he should have are to be excluded by the remedies that he proposes, to extend to others suffering equally from this deflation in prices.

Now, Mr. President, I can understand how, according to Mr. Meyer, it will be possible to encourage the formation of associations and companies who will undertake to finance and to export some of these commodities and create a market for them and who will assume the financial responsibilities, subject to the security that can be offered by these corporations, and which may in some degree alleviate this situation. But what puzzles me is where these goods are going. Yesterday I read in the papers, and I have not seen it contradicted, that Argentina had declined to receive \$12,000,000 worth of American merchandise, or rather her merchants had declined to receive it, because the difference in the rate of exchange between Argentine money and the American dollar is so great that they could only take those goods at a heavy loss, and therefore they refused to receive them at all.

If Argentina is in that situation what shall we say of Germany and of Austria, and in fact of all of the countries of Europe, with the possible exception of Great Britain, whose rates of exchange are even worse, as compared with the American dollar, than those of South America, and which therefore can not, without the most ruinous sacrifice, secure exports from the United States?

The fall in exchange operates as a bounty upon exports from the country where the exchange is lowest, and that, I may say to the senior Senator from North Dakota [Mr. McCUMBER], in my judgment fully accounts for the importation into this country of Canadian wheat, because the exchange between Canadian money and American money is in favor of Canada, and consequently it gives her so much of a bounty on her exports that she can afford to undersell the American producer.

I do not think the relief against this is in the tariff at all. I may be mistaken. It must come from a regulation and a steadying of exchange, and that must come very largely by agreement and by support and by credits from nation to nation, followed by the balancing of exports with imports.

One reason why this slump, as it has been called, and properly so, has become acute is due not to the needs of our products in other countries, but to their inability to pay for them. Inter-

national trade is simply exchange, and only balances are paid for in cash. We can not sell our goods to Germany—and I speak of Germany because it is the principal commercial nation with which we have to deal on the Continent—because Germany's power to purchase has practically disappeared; it is merely negligible; and, inasmuch as the commercial structure of central Europe is based almost entirely upon that of the German Empire, the same condition applies to the newly created nations, and largely to Austria and more largely to Italy.

Mr. President, we have spent several months in this distinguished body since the war in discussing one part of the German treaty, and we have been so intent upon our controversy over that part that we have paid little or no attention to the main body of the treaty itself.

A recent book published by Mr. John F. Bass, and entitled "The Peace Tangle," to my mind the most important contribution thus far made to the literature of the subject, emphasizes the deplorable fact that the peace conference was totally indifferent to the economic situation in Europe and to the economic consequences of the peace it negotiated. They created new sovereignties and tried to fix their boundaries. They penalized Germany and Austria, the latter almost to the point of extermination. But they took no note of that great economic structure, the fruit of the experience of nearly a century, which had been built up in central Europe by nations interdependent upon each other and connected or linked together by a series of natural streams, of canals, and of railroads. The Allies were so intent, in other words, upon indemnities, upon disarmament of the erstwhile foe, and upon the creation of new sovereignties that they lost sight of that more fundamentally important condition, the need of which to the peace and prosperity and happiness of peoples is absolutely indispensable. The consequence is that the economic structure and policy of all of central Europe has collapsed, and each one of the new nations, when not engaged in internecine trouble, is endeavoring to create a sort of commercial system of its own. The result is pandemonium. For example, Czechoslovakia will supply Austria with coal for her foundries, only upon condition that Austria shall in return furnish Czechoslovakia the entire product of those foundries.

Trieste is one of the great harbors, if not the greatest harbor, of the Adriatic, to which before the war was tributary nearly all the overseas commerce of Austria, including Czechoslovakia, a part of Poland, Hungary, Jugo-Slavia, or Slavonia—it is about all a man's reputation is worth to try to pronounce some of those names—but now there is a distinct railroad system for each, a distinct set of duties for each, and a distinct determination of each to retain in its own possession all cars that may come within its physical jurisdiction. The result is that Trieste is doing no business; it can not. An equal result is that there is a paralysis of interchange of commodities by these people among themselves. As is inevitably the case, these trade controversies are fruitful parents of war and bloodshed, and the peace of Europe to-day is, in my judgment, threatened more imminently by commercial conditions, or rather the lack of them, than by anything else. They need what we have to sell; their people in the many sections are starving for the lack of the ordinary necessities of life. Certainly we want to export to them, but commerce is a cold-blooded affair, and depends upon exchange. If those people have money with which to buy these products, they can have them; if they have products which they can exchange for them, we can supply their needs; but if they have neither we may stand upon this floor and talk until doomsday, we may pass all the tariffs or abolish all the tariffs that the mind of man can conceive, and yet this stale condition will continue—plenty and plethora in one land, want and starvation in others. Hence, I do not see how it is possible for the War Finance Corporation or for any other organization to create markets when none can exist because of the absence of conditions which are indispensable to them.

Of course it is said that we can supply credit and by supplying credit we can furnish the means with which to pay for our own goods. It was stated yesterday that Germany was our second best customer in Europe before the war, and she was; but so long as Germany rests under the burden of an indefinite indemnity, so long as she is in the hands of a receivership composed of the members of the Reparation Commission, so long as what she produces is to be taken from her and to be given to the Allies as indemnity, with no certitude of its ever ending, and with no assurance as to the final definite amount, so long will her energies be paralyzed, so long will her power to purchase be dormant, and so long will it be impossible for her to re-create that trade which at one time took so much of our products and afforded mutual prosperity to both countries.



It is hardly necessary for me to say that I am no sympathizer with Germany; I fully agree that she brought her punishment upon herself; but if, as Mr. Wilson once said, we must be just to those to whom we wish to be just as well as just to those to whom we do not wish to be just, and if we are to permit 70,000,000 people to regain their feet and become a factor in the productive energies of the world, then the economic features of the treaty should be changed and changed as soon as possible. We are partly responsible for the structure of the treaty, but the Senate has so far, I am pleased to say, withheld its assent from that document; and I believe if the people had understood as much about the treaty as they did about the covenant of the league the vote at the last election would have been practically unanimous, even in the South.

So much, Mr. President, for the possibility of creating markets where markets can not possibly exist in the absence of conditions which are essential to the international exchange of commodities.

Some reflections have been made here, not intentionally, however, upon the attitude and action of the banking interests of the country toward the farmers. So far as I am able to judge, the local banks have gone to the limit in extending credit to producers, and in some instances I am very sure to producers not satisfied with prevailing prices, but who have desired to hold for better ones. I am not complaining of that; that is human nature. In one sense it is profiteering, but it is the natural and therefore the perfectly legitimate action of the owner of those articles the market price of which does not meet with his expectations or desires. But it is unfortunate, nevertheless, in view of the fact that the market price of commodities having fallen to such a degree, the banker himself is embarrassed. A national bank in the town of Sterling in my State suspended the other day. The Comptroller of the Currency tells me that its assets are perfectly good, and consequently he does not intend to appoint a receiver, but they consist of farm and live-stock paper upon which it can not at present realize. He also informed me that such is the situation very largely throughout that section of the country.

It seems to me that the banks may need the protection of the Government quite as much as those whom they have attempted to protect in turn, and, instead of condemning them for a supposedly niggardly course, we should condemn them for having stretched their credit too far, and by that means brought their depositors in danger and subjected them to unnecessary losses.

I do not understand that so far as the western banks are concerned there has been any sort of evidence of an intention upon their part to take advantage of the situation to refuse to extend credit as far as they dare or to press for payment by the foreclosure of securities. I think, generally speaking, they have acted according to the spirit of the Federal reserve act, feeling that, in the absence of those conditions which made panics inevitable under the old system, they could take more chances, and, therefore, under the circumstances, did take them.

Mr. President, the amendment which the Senator from Georgia [Mr. SMITH] has offered, and which the Senator from Mississippi [Mr. HARRISON] opposes, because he thinks that the power to favor other interests now exists, is not only a very natural addition, but an inevitable one. The Senator from Georgia proposes to insert the words "and other" after the word "agricultural" on the seventh line of the second page of the joint resolution, so that the provision will read:

And the members of the War Finance Corporation are hereby directed to revive the activities of the War Finance Corporation, and that said corporation be at once rehabilitated with the view of assisting in the financing of the exportation of the agricultural and other products to foreign markets.

I think that is a desirable amendment if we are to carry through this legislation at all, because otherwise the legislation is distinctly class legislation, and to that I am opposed. I grant you there are precedents enough, God knows. The Senator from Kansas referred to a precedent for the advance of the amount needed for the capitalization of the War Finance Corporation. I repeat, there are precedents enough. When we took the tariff off sugar back in the eighties, if I remember correctly, we allowed Louisiana to put her hand into the Treasury up to the elbow and take out what was necessary in the shape of a bounty to equalize the difference between the cost of her production of sugar and the cost of production abroad. Since I have been a Member of the Senate there has been about as much class legislation, perhaps, as has been enacted in any similar previous period of time.

I regard every duty placed upon an article for the sole purpose of protection as a bounty of the Government to the favored individual. There is plenty of precedent for it. I regard every pension paid to an able-bodied man who has done

his duty to his country by serving it as a bounty, as an appropriation from the Treasury to men representing a particular class. So it is too late, if I were so disposed, to object to that feature of the joint resolution as class legislation; but it is class legislation, pure and simple, if the amendment of the Senator from Georgia is not adopted; and, disguise it as you will, class legislation is socialistic legislation; and it is strange that men will preach against the doctrine of socialism, and sometimes upon this floor cast reflections upon men who do profess to believe in that doctrine, and then deliberately apply it in legislation themselves.

Of course, all other products are just as much entitled to the benefits to flow from special legislation as are the farmers or the wool growers or the live-stock men or those engaged in the production of cotton. If I go into a manufacturing enterprise and invest my money, and on account of the fall in the price of the product, whatever the cause, not only in my institution but in all others similarly situated, I am threatened with ruin, because I must sell, if at all, at a sacrifice below the cost of production, why am I not also entitled to the protection of the Government? Why should not Uncle Sam make me whole?

I was handed this memorandum yesterday:

I had \$1,700 stock in a little corporation which the war busted. It is just wound up, and I charge up a loss of \$561. What are you going to do for me?

That is a perfectly fair question—a perfectly fair question. I say, "You went into this enterprise with your eyes open, as a citizen, and took chances." The Government is not organized as a universal hospital to cure the commercial and economic accidents and diseases of all mankind. It was created to protect the citizen, and enable him to function on his own account; and I think, Mr. President, that the most pernicious consequence of this kind of legislation is the fact that it is depriving the people of the country, the good old Anglo-Saxon stock, of that element of self-reliance, personal ambition, and the desire to succeed, which lies at the foundation of all individual and national prosperity.

Why should I exert myself unduly in order to succeed, if, when I fail, the Government is to catch me, and act as a parachute to land me safely on the ground? We are coming to it very rapidly; and why should a man exercise thrift, and accumulate something beyond the cost of living, if when he has a little property it is to be taken from him and given to the man who is thriftless, or unfortunate, however thrifty he may be? That is our modern idea, so far as our practice goes, of government; and, as a consequence, we have these 125 lobbies to which I have referred, all with their hands and their tongues out, and both stretched in the direction of the United States Treasury.

I was called into the lobby a short time ago, just before I began to speak, by some gentlemen who are here who want some money for good roads. They said they certainly expected that I would assist them to the best of my ability. I told them I would. I informed them that up to this time I had unsuccessfully opposed every such measure, and by opposing theirs I would guarantee its passage. I also told them that inasmuch as we only had a little deficiency of a billion and a quarter staring us in the face, and a demand for two and a half billions for bonus, and a bill practically appropriating five hundred millions now before the Senate, if there was anything left I thought they ought to have it for good roads; and consequently I assured them that I would oppose the bill; hence they would receive it unless the bottom of the Treasury should be reached, in which event they ought to apply and perhaps would be treated as preferred creditors.

Mr. President, I have now discussed the first section of the joint resolution, notwithstanding the fact that I announced at the beginning that I should not oppose it by my vote. I do not, however, by keeping silent desire to be reproached hereafter for the ineffectiveness of the remedy when it comes to operate. I know that it is foredoomed to failure, and that we must go through the same course that our fathers have gone through under similar circumstances—a hard, bitter experience, filled with suffering and sorrow and misfortune, either now or at some other time before we get back to normal conditions. I have too high an opinion of the yeomanry of America to think that they are not capable of it. I was a boy in the South during the war and a few years afterwards. That country had been swept by the desolation of war, and everything that was left became the prey of the scalawag and the carpetbagger. To add to our misfortune, there was a hostile Central Government ruling the white people of that country with a rod of iron.

No people ever faced a more dismal and awful prospect, but they did not perish. They rose supreme to the occasion, and, undaunted, grappled with foes, political and economic, overcame

both, and made their country one of the most beautiful and prosperous in all the world.

What my people in the South did then they can do now, and they would do it but for the fact that this generation has been educated into the notion that Uncle Sam is a universal dispenser of bounties upon all adverse occasions.

Why, Mr. President, I remember shortly after the declaration of war with Germany that there was a universal dislocation of business everywhere, and cotton conditions in the South were as bad, if not worse, than they are at present, and some of our southern Senators—I am saying it with all due respect—then lost their heads and introduced a joint resolution providing for the issuance of \$250,000,000 of bonds, the proceeds whereof were to be invested in cotton, to be held until cotton reached 10 cents a pound. They thought it was absolutely necessary to save the South. They were perfectly honest in it. In fact, I think some of them went so far as even to menace the solidarity of the Democratic majority in this body if we did not pass it; but we rejected it, and I think properly, and the South still lives, still proud, still prosperous, and still defiant, thank God!

When the mints of India closed practically every silver mine in the West closed, and that brought disaster to my section of the country, and a very severe one, followed shortly afterwards by the panic known as the panic of 1893. Senators from my State and from the other silver-producing States iterated and reiterated in this body the certain destruction of the civilization of the great Rocky Mountain region if silver was not restored, and I believe them just as honestly as my friend the Senator from Georgia in 1914 believed that that \$250,000,000 bond issue was necessary to save his State.

Mr. SMITH of Georgia. Mr. President—

The PRESIDING OFFICER (Mr. SHEPPARD in the chair). Does the Senator from Colorado yield to the Senator from Georgia?

Mr. THOMAS. I do.

Mr. SMITH of Georgia. I did not believe it necessary to save our State, but I believed that it was wise. I still believe it was wise, and I think it was a horrible blunder that is was not done.

Mr. THOMAS. I am glad the Senator stands by his guns. That is right. I honor him for it; but I did not agree with him then, and I do not agree with him now.

Mr. SMITH of Georgia. Furthermore, if the Government had pursued the policy suggested, the Government would have made a large sum from its investment, and our exports would have brought a normal price, instead of having brought about one-half of what they should have brought.

Mr. THOMAS. If the function of the Government is to go into business and to make money by taxing the people, why, of course, that may be. I do not know; but I am going to be just as candid as the Senator is. I am going to admit that I was mistaken. What I apprehended never happened. It was found that we could not get silver coinage, and so we went to producing gold and zinc and lead and everything else of a mineral or metallic character that we could dig out of the ground. While I think it was a mistake, and always will to my dying day believe that the demonetization of silver was little short of a crime, I have been cured of the notion that its coinage was absolutely indispensable to the commercial existence of any people or any section of the people. So, I do not want to lose my head again; and the difficulty is that the country has lost its head just now.

Mr. SMITH of Georgia. Mr. President, will the Senator pardon me for just a moment?

The PRESIDING OFFICER. Does the Senator from Colorado further yield to the Senator from Georgia?

Mr. THOMAS. I do.

Mr. SMITH of Georgia. I did not consider it essential to the prosperity of the South or of the cotton-growing States. I believed at the time that there was a condition which could be justly and properly and wisely relieved, growing out of the war.

Mr. THOMAS. Whatever the Senator's idea was—and of course I take his statement for that—the fact is that the calamity which roused him to such action did not occur. In fact, Mr. President, nine-tenths of our troubles never do occur, except by anticipation.

Mr. SMITH of South Carolina. Perhaps we have not any troubles now.

Mr. THOMAS. Yes; you have some now—there is no doubt about that—but they are not half as bad as you think they are, and I am satisfied that the future will demonstrate the truth of my statement. Legislation of so supreme an importance and character ought to be enacted, as I stated before, only after the most profound consideration and by dispassionate and unexcited men, and that we are not.

Now, Mr. President, a few words regarding the second section, and I will relieve the Senate from further torture. The second section provides:

That the Federal Reserve Board is hereby directed to take such action as may be necessary to permit the member banks of the Federal Reserve System, in accordance with law and consistent with sound banking, to grant liberal extensions of credit to the farmers of the country upon the security of the agricultural products now held by them, by permitting the rediscounting of such notes of extension at the lowest possible rate of interest.

My first criticism of the second section is that it conveys to the country the impression that the Federal Reserve Board has not been doing its duty, that it has been derelict in a crisis to the people of the United States. The committee did not mean it so, I concede fully, but that is the impression, in my judgment, which will be conveyed from one end of this country to the other among responsible people. It is a reflection upon the Federal Reserve Board, not an intentional but an inevitable one.

I read the hearings carefully. I have known the workings of the Federal Reserve Board, and I contend that in the discharge of their functions they have sought to do, and I think nearly always have done, their duty well. It takes a brave man, in a crisis, to perform his duty, and the law that is worth anything must be equal to the crisis which confronts it, and which was anticipated at the time of its enactment because of past experiences. I know of nothing more dangerous and damnable to a commercial people than inflation, except deflation, because the last is immediate and much more drastic, and consequently deflation should come gradually, and that has been the case with the Federal Reserve Board, because to-day, so far as our circulation goes, it has not been reduced, but has simply been held stationary and hardly that.

The Senator from North Dakota called attention to the fact that the governor of the Federal Reserve Board said that up to a certain time last spring the increase of our currency had an angle of about 45°, from which time it has assumed one of about 2°. That is the sort of deflation, Mr. President, that ought to be practiced.

But that is not the thing which is responsible for this situation. If this angle of increase had been maintained at 45° or more it would have come just the same. It is absolutely inevitable. The terrible part of it is that it came so suddenly; that is, relatively it was sudden. But it has been coming for months, and it has come as a consequence of the refusal of the people of the United States to be held up any longer with high prices. It seems to me that the consumers of this country have a right to complain that, now they are face to face with a reduction in prices, the Congress of the United States is executing a military maneuver of right-about-face and legislating to keep them up.

Talk about political consistency. As acrobats Congress can give a political convention cards and spades; that is, if this is a sample of the sort of legislation which is going to follow now. We ran like a pack away from high prices. We are now running like a pack away from low prices, and when you consider that the consumer of America constitutes the principal class—the man of salary and the man of fixed income and the wage earner, next to the farmer, constitute the greatest class in the country, and the farmer is also a consumer—I think that, subject to the needs of the producers of the country, we should welcome instead of attempting to repel the inevitable return of a decent standard of livelihood.

I concede, Mr. President, that the prices of necessities to the consumer have not kept ratio to the fall of prices to the producer. That is unfortunate. It costs the farmer to-day and it costs the consumer everywhere who supports the retail business of the country pretty nearly as much to live as ever, and especially if he has to travel and patronize any of the hotels of the country. But that only indicates what is almost always the case, that the prices of the distributor to the actual consumer are the last to come down, due very largely, first, to the fact that the public must continue to purchase what is absolutely necessary and also to the fact that the retailer can not so readily readjust himself to the change—that is, his overhead charges, his credits, and so forth. There may be a consequent disaster; but I venture the prediction that after the holidays are over retail prices will fall very rapidly. They have to. I know of no way of avoiding it, like the general situation, which may be stemmed for a short time, perhaps, but inevitably it must come, and I think the sooner we meet that fact and go through the valley of the shadow and get back to the old conditions the better it is going to be for us.

I agree with the Senator from Utah [Mr. Smoot], Mr. President, that the second section is practically meaningless. It directs the Federal Reserve Board "to take such action as may be necessary to permit the member banks of the Federal Re-



serve System, in accordance with law and consistent with sound banking, to grant liberal extensions."

That power exists under the present law. The Federal Reserve Board does not make any loans. The Federal Reserve Board does not direct the member bank where it shall receive credits or discounts. The Federal Reserve Board can not tell the Riggs National Bank of Washington what loans it must make and what loans it must not make. It can examine its loans, and does so, in order that rules of sound banking may not be ignored or departed from. The trouble is that they have done all they can do under the law, and unless they do more under this proposed law, then complaint will be made, and it will be made with great insistence, that they have ignored the direction of Congress, by paying no attention to its joint resolution. I do not believe that there is a Senator upon this floor who, as a member of the Federal Reserve Board, would have changed the policy which it has followed, or who would under this direction change its policy. And yet I think there can be no doubt that unless something radical and drastic is done, the members of this board will be denounced, as they have been frequently and unjustly denounced, not always here, but in other places as well.

I recall—I think it was in August, 1919, though perhaps I do not get the date correctly—when this body passed a resolution upon the subject of deflation, the general impression being then that credits were being extended too far, and calling upon the board for information upon that subject, which was duly furnished.

That is all right; we have the right to do that. But in a crisis like this, to pass a law directing this board to do something which in its judgment it ought not to do is to interfere with the principles of sound banking, with the judgment and discretion of men who know their business and who were appointed to perform it. We can not afford, in my judgment, without threatening the integrity of the entire system, to enact resolutions and statutes amendatory of a great banking act for the purpose of meeting an emergency that seems to threaten a part of our people. If you set the precedent there will never be such a thing as contraction of currency in the United States. If you set the precedent the board will function as a body merely designed to extend credits and increase the circulation, and when that is done you will have plenty of money, but it will be rotten, just as the money of nearly all the nations of Europe is to-day. We produce more than we can sell. We produce more than there is a market for, and the problem of the farmer is the problem of distribution and of markets.

I read from a review entitled "Economic Conditions," issued by the National City Bank, this short extract:

This slump in business conditions has demonstrated again that the great movements in the business world which make good times or bad times are spontaneous and beyond control. They are due to mass action and mass psychology. The business of the country depends upon the purchases and policies of tens of millions of individuals, and when they become generally possessed of a spirit of confidence and go ahead with their planning and spending under its influence we have a period of prosperity. The difference between free spending and careful economy by all the people of this country means a vast difference in the volume of trade and the level of prices.

A state of full prosperity is seldom long maintained, because it means a balanced state of industry, and the balance may be disturbed by many influences, originating at home or abroad. The war gave an enormous but unhealthy stimulus to the industries and brought on the rise of wages and prices. Following the war there was another abnormal period, due to scarcity resulting from the war and the release of demands that had been in restraint. The actual scarcity was exaggerated in many instances, as in the case of clothing and sugar, by an insistent demand which would be supplied at any price. A market in which demand exceeds supply is commonly called a seller's market, on the theory that the seller names the price, but the prices upon many commodities in the latter part of 1919 and early part of 1920 were made by a scramble of buyers and the bidding of dealers eager to supply them. There was a shortage of cloth and of sugar, but the market was overstimulated by the action of buyers, who in many instances tried to get more than they really wanted in the expectation that the limited supplies would be allotted or to provide for the future. Nobody was more deceived than the dealers and producers.

I do not see, Mr. President, if it be true that the masses buying, or the failing of the masses to buy, is the factor which determines operations, and it is a fact, and particularly where a market is a seller's market, as ours has been so long, that any direction to extend credit to producers upon the security of the agricultural products now held by them, by permitting the rediscount of notes, of extension, or otherwise, can affect this situation. It is largely beyond the power of human control, and there is, as we all at least should know, a limit to human legislation. We can not legislate July weather into January. We can not change the course of the planets around the sun. We can not legislate figs upon thistles, and, with all due respect to the present presiding officer [Mr. SHEPPARD in the chair], I do not believe we can legislate virtue into the average man. These are things which are beyond the realm of

human statutes, and, generally speaking, when we try to regulate them the result is either disastrous or ridiculous.

Mr. President, I shall ask for a separate vote upon these two sections, to the end that the Senate may discriminate between them.

Mr. GRONNA. Mr. President, I was in hopes that we could dispose of the joint resolution to-day. There never was a time in the history of the Nation when remedial legislation of this sort was as urgent as it is to-day. I am sure that every Senator realizes that.

However, I certainly do not wish to deprive any Senator of the fullest opportunity to speak. I could not do that if I wanted; but I wish to state my position; I do not wish to say to any Senator that he can not have all the time he wants to discuss this joint resolution. I realize that it is an important measure. I also realize that at this time we do not perhaps have a quorum, but we can get a quorum here. I do not know of a time when it was more necessary or more important than the present to get a quorum and to keep Members here until pending legislation is disposed of, when banks all through the country are suspending and closing their doors, when farmers are unable to dispose of their products for the very reason that they can not obtain money, when the money is being locked up.

If we can have an understanding that we shall take a recess until 11 o'clock on Monday, and that those who are here present will give unanimous consent at that time—I am not asking that it be done now—to vote not later than, say, 3 o'clock on Monday, perhaps we could make time by taking such action.

Mr. KING. Mr. President, may I say to the Senator from North Dakota that on Monday a number of very important committees will meet for the first time at this session. Some of those committees are called for 11 o'clock, others for 10 o'clock. I suggest to the Senator to move a recess until 12 o'clock. I am sure that a vote will be had upon Monday on the joint resolution.

Mr. NORRIS. Mr. President—

The PRESIDING OFFICER. Does the Senator from North Dakota yield to the Senator from Nebraska?

Mr. GRONNA. Certainly.

Mr. NORRIS. Can we have an assurance, as much as we can get under the circumstances, without going through the formality of submitting a unanimous-consent request, that we will vote not later than 3 o'clock on Monday if we take a recess until 12 o'clock on that day?

Mr. KING. So far as I am concerned, I should be very glad to assure the Senator of that and use what little influence I may have to that end.

Mr. THOMAS. I beg to assure the Senator that I am ready to vote now.

Mr. NORRIS. So am I; but there are some Senators who want to be heard upon the joint resolution. I have refrained from talking in order that I might do my part toward getting a vote as soon as possible.

We had an understanding, I thought, as much as we could have an understanding without calling the roll and going through the formality, that we would vote to-day if we would consent to an adjournment yesterday at an hour which was proposed and which was a very early hour for adjournment. We expected in all good faith that there would be a vote to-day.

Mr. KING. May I say to the Senator that I do not think he will make any progress toward getting a vote by indulging in any criticism. I am sure there is no disposition upon the part of any Senator to delay the vote.

Mr. NORRIS. The Senator will not dispute that statement? The Senator was here yesterday.

Mr. KING. I do not know anything about it.

Mr. NORRIS. The Senator was present.

Mr. KING. I can assure the Senator so far as I am concerned that I know of no one who will vote against the joint resolution. My present intention is, after one or two amendments are agreed to, to vote for it. I am sure there are two Senators who desire to submit some observations upon the measure, and I have no doubt in the world that if we take a recess until 12 o'clock on Monday the measure may be disposed of by 3 o'clock.

Mr. SMOOT. Mr. President, I wish to call the Senator's attention to the fact that nearly every hour this afternoon has been taken by Senators in favor of the measure.

Mr. NORRIS. And that includes the senior Senator from Utah.

Mr. SMOOT. I am perfectly aware of that. I am not criticizing anyone, if anyone wishes to speak. The Senator from Colorado [Mr. THOMAS] is the last one who has spoken this afternoon, and I am quite sure from what I have heard that there is no more discussion to be had, except by the junior Senator from Utah [Mr. KING], and possibly one other Senator.

So far as I am concerned, there can be a vote at 3 o'clock on Monday.

Mr. NORRIS. There was no one who had any doubt yesterday that we would get to a vote to-day, and we adjourned with that understanding. I am perfectly willing to concede to every Senator the right to debate the joint resolution as long as he wants to do so.

Mr. THOMAS. I must confess my ignorance of that understanding. I had no such understanding, although I fully expected that there would be a vote to-day, because from what I heard I supposed that I was the only Senator who wanted to say anything further on the joint resolution. However, I did not understand that there was any assurance that there would be a vote to-day.

Mr. NORRIS. One Senator speaking, as a rule, brings forward other Senators. Senators have spoken to-day who would not have spoken if it had not been for some things that were said by other Senators that they thought ought to be answered. I think the senior Senator from Utah [Mr. SMOOT], a very ardent supporter of the joint resolution, was engaged for a couple of hours in criticism of it, and that brought on some discussion from other Senators who wanted to answer him.

Mr. SMOOT. I resent that, because I was on the floor for an hour and 10 minutes, and I do not think I had more than 15 minutes of the hour and 10 minutes.

Mr. POMERENE. May I ask the chairman of the committee one question? Is he going to insist seriously on section 2 in its present form?

Mr. GRONNA. I wish to say to the Senator from Ohio in all candor that there are members of the committee who are very strongly in favor of the section.

Mr. POMERENE. I wish to say that the first section of the joint resolution has my sympathy, and so far as I know now I expect to vote for it; but I do not like to move a wrecking train into the Federal Reserve Board at this time, and that will be the effect of section 2 of the joint resolution.

Mr. GRONNA. The Senator realizes that there is a great deal that may be said with reference to the action of the Federal Reserve Board.

Mr. POMERENE. That may be.

Mr. GRONNA. Every Senator here and every man in the country who has had any business to transact knows that farm paper has been ineligible—and we might as well speak plainly.

Mr. POMERENE. I am in sympathy with the Senator again in wanting to help along the cause of rural credits, and I am going to help that along to the best of my ability, but I am not going to help wreck the Federal reserve banks, if I can prevent it.

Mr. GRONNA. May I say to the Senator that we are not charging the Federal Reserve Board with any violation of the law, or even violation of rules. We are simply directing. The Secretary of the Treasury in all kindness, when he was asked by the Senator from Mississippi [Mr. HARRISON] what he would do, made the very courteous reply to the committee, "If you will direct me to do so and so," I think he said we would be glad to do it. It is not a criticism of anybody.

Mr. GLASS. The response of the Secretary of the Treasury had reference only to the resumption of the activities of the War Finance Corporation, and not to the implied criticism of the Federal Reserve Board.

Mr. GRONNA. There is no criticism of the Federal Reserve Board.

Mr. GLASS. Oh, there is a very direct criticism of it, a very unjust criticism of it, and a criticism that is not based upon the facts.

Mr. GRONNA. The Senator from Virginia has a right to his opinion, and I have a right to mine.

Mr. GLASS. Precisely.

Mr. GRONNA. I shall be glad at some future time to discuss the question with the Senator from Virginia, and would do so now if it were not my desire to have the joint resolution acted upon at this time.

Mr. POMERENE. I am not prepared to say that the Federal Reserve Board has done all that it ought to do. Perhaps it has done some things it ought not to have done; but I am perfectly clear in my own mind that the Federal Reserve Board can handle the business of the Federal reserve banks a vast deal better than the Congress of the United States.

Mr. HEFLIN. Mr. President, no one else has suggested a situation that I have in mind, and I feel that it is important just here to bring it to the attention of the Senate. I shall not now discuss the wisdom or unwisdom of the ruling of the Federal Reserve Board in raising the rate of interest this year

above that charged last year. We obtained money last year at 4½ per cent in the cotton-growing States, and the banks that handled the cotton business and other agricultural products made a little money in handling the agricultural business of our section. This year the rate of interest was raised to 7 per cent, and banks in Alabama could only make 1 per cent in handling such matters, our legal rate being 8 per cent. The increased interest rate had a similar effect in other States of the South and West. The effect of that in the South and West was that call money having gone up to 12 per cent and higher in New York, money seeking the place where it could earn the most interest went—a great deal of it—from those sections to the speculative centers, where the higher rate of interest was paid, and the speculating interests of New York have had all the money they desired to use on the exchanges in beating down the prices of agricultural products.

Mr. President, I am not charging that the Federal Reserve Board raised the rate of interest for the purpose of keeping money out of or driving money out of the South and West at the crop-moving time—the time that it was needed most. I am merely relating what really happened to the business of the farmer in the South and West, and I feel that Congress has the right to instruct, and I intend to vote to instruct or direct the Federal Reserve Board to go directly to the rescue of the farmers of the country immediately because they are in dire distress. We are seeking to deliver them from the sharks and speculators who take advantage of their distress and profit by their misfortune. It is no reflection upon the Federal Reserve Board for Congress to specifically direct its attention and activities toward a matter of such grave importance as preventing the useless and criminal loss of billions of dollars to the farmers of the United States. That is what I felt should be said at this time, Mr. President.

Mr. GRONNA. Mr. President, in view of what has been said by many of the distinguished Senators and with the assurance they have given us that they will be willing to let this measure come to a vote on Monday, probably about 3 o'clock, or probably a little later, I move that the Senate take a recess until 12 o'clock Monday.

The motion was agreed to; and (at 5 o'clock and 10 minutes p. m.) the Senate took a recess until Monday, December 13, 1920, at 12 o'clock meridian.

## HOUSE OF REPRESENTATIVES.

SATURDAY, December 11, 1920.

The House met at 12 o'clock noon.

The Chaplain, Rev. Henry N. Couden, D. D., offered the following prayer:

Infinite Spirit, Father of all souls, draw near to us as we draw near to Thee; inspire us with great thoughts that in all our efforts we may strive to fulfill Thy desires; let Thy kingdom come in all hearts, that wrongs may be righted and brotherly love obtain throughout this perturbed world; that peace may possess our souls and make the world a safer and happier place to dwell in. In the spirit of the Lord Jesus Christ. Amen.

The Journal of the proceedings of yesterday was read and approved.

### ADJOURNMENT FOR THE HOLIDAYS.

Mr. MONDELL. Mr. Speaker, I ask unanimous consent that when the House adjourns on December 23, it adjourn until Monday, December 27.

The SPEAKER. The gentleman from Wyoming asks unanimous consent that when the House adjourns on Thursday, December 23, it adjourn until Monday, December 27. Is there objection?

Mr. GARNER. Reserving the right to object, this request contemplates an adjournment from Thursday until Monday?

Mr. MONDELL. Yes; so as to give Members one day to get home and one day to return after Christmas.

Mr. SNELL. Is that all the vacation that is intended to be taken at the holiday season?

Mr. MONDELL. That is my thought. I have talked with a good many gentlemen on both sides, including the leader on the Democratic side.

Mr. SEARS. Mr. Speaker, I make the point that no quorum is present.

The SPEAKER. The gentleman from Florida makes the point that no quorum is present. Evidently there is no quorum present.

Mr. MONDELL. Mr. Speaker, I move a call of the House.

The motion was agreed to.